

SME Finance Monitor

3 month rolling analysis
to end February 2024



An independent report by BVA BDRc, March 2024



Introduction

The SME Finance Monitor was established in 2011 and provides detailed analysis of SMEs and their access to finance, typically on a half yearly basis. The Q4 2024 report and chart pack were published in March 2024.

As fieldwork takes place on a continuous basis, it is also possible to provide headline data on key issues in between these full reports. This pack will therefore be provided on a monthly basis and provide the latest 3 months rolling data across a range of issues.

The most recent data point for this report is the 3 months from December 2023 to February 2024.

Headline analysis is provided for all SMEs, with key questions split by size of SME. Some analysis is also provided by the type of international trade (if any) undertaken alongside domestic activity:

- Exporting but no importing (labelled as “export only”)
- Importing but no exporting (labelled as “import only”)
- Both importing and exporting (labelled as “import & export”)
- No international trade, SME only trades domestically (labelled as “domestic sales only”)

Differences shown month on month are not necessarily statistically significant. Differences of 4%+ month on month are needed for the total sample and up to 10%+ for some of the smaller groups (such as those trading internationally).

Introduction – Changes to main SME Finance Monitor questionnaire and reporting

The SME Finance Monitor questionnaire has evolved gradually since it started in 2011.

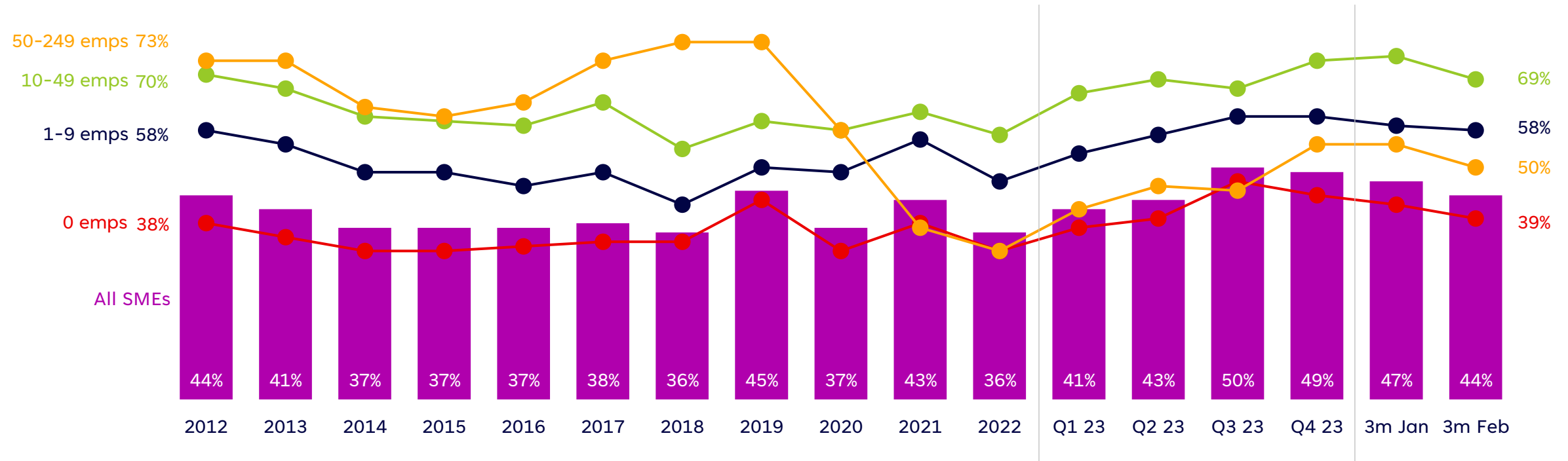
In Q4 2017 it was decided that a more radical review was required to reflect changes in the finance market for SMEs, such as the rise of online platforms and other non-bank suppliers of finance. This was also an opportunity to focus on “need” for finance and how this translates into applications.

Most of the questions reported in this pack remained unchanged.

From January 2023, the definition of using finance (and also therefore of a PNB) has included those that still have pandemic borrowing to repay, which was not always considered as “finance” by a small proportion of SMEs in 2022.

44% of SMEs were using external finance, somewhat lower than in the second half of 2023, across all size bands

Time series: use of external finance per quarter

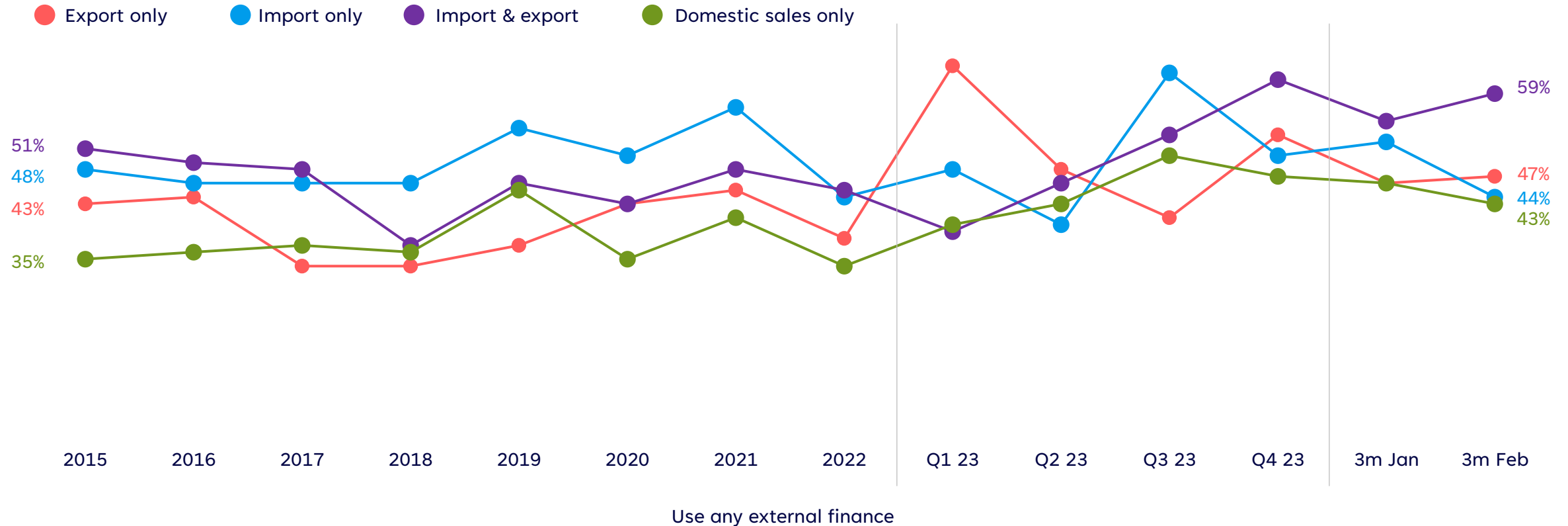


For 2019 as a whole, 45% of SMEs were using external finance, declining to 37% for 2020 as a whole. The increase in 2021 to 43% was not maintained into 2022 but increases in use of traditional finance coupled with better data on those still repaying pandemic funding, saw use of finance up to 46% for 2022. 2024 has started somewhat lower at 44% in the current period

Q15 Base : All respondents 3mths to Feb 2024 4351 1007/1988/825 (using new finance definition from Jan 2023)

Use of finance increased steadily for fully international SMEs in 2023 and maintained in 2024, unlike their peers where use is now somewhat lower

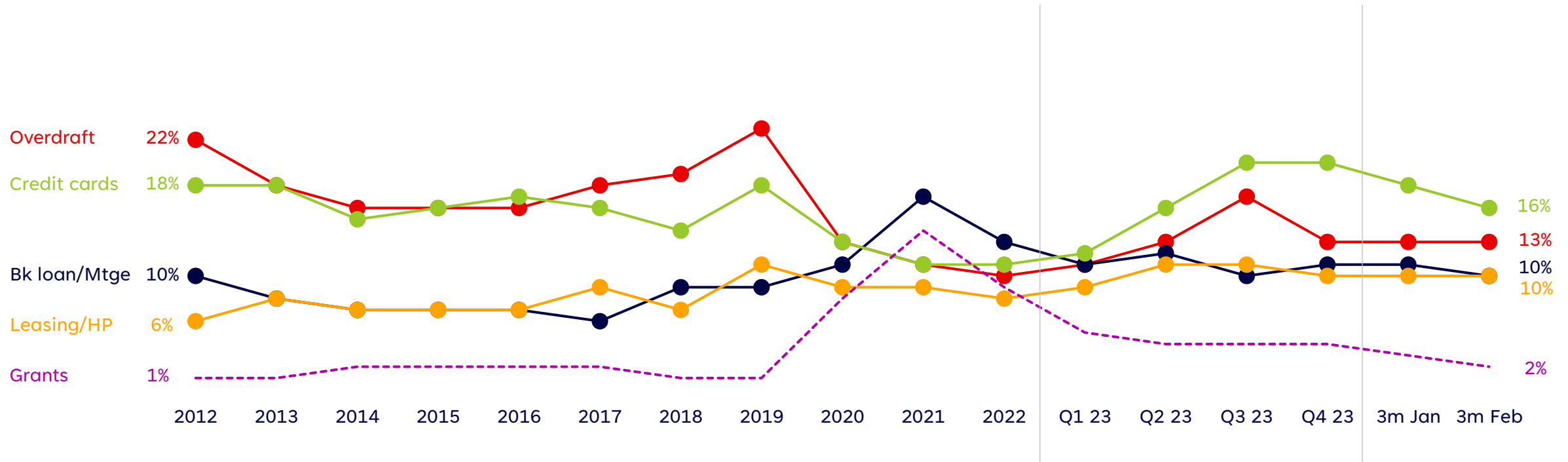
Time series: use of external finance by extent of international trade alongside domestic sales



Q15 Base : All 3mths to Feb 205/446/386/3314 (using new finance definition from Jan 2023)

Credit cards remained the most used form of funding, but at a slightly lower level than in Q4 2023, with other forms of finance stable

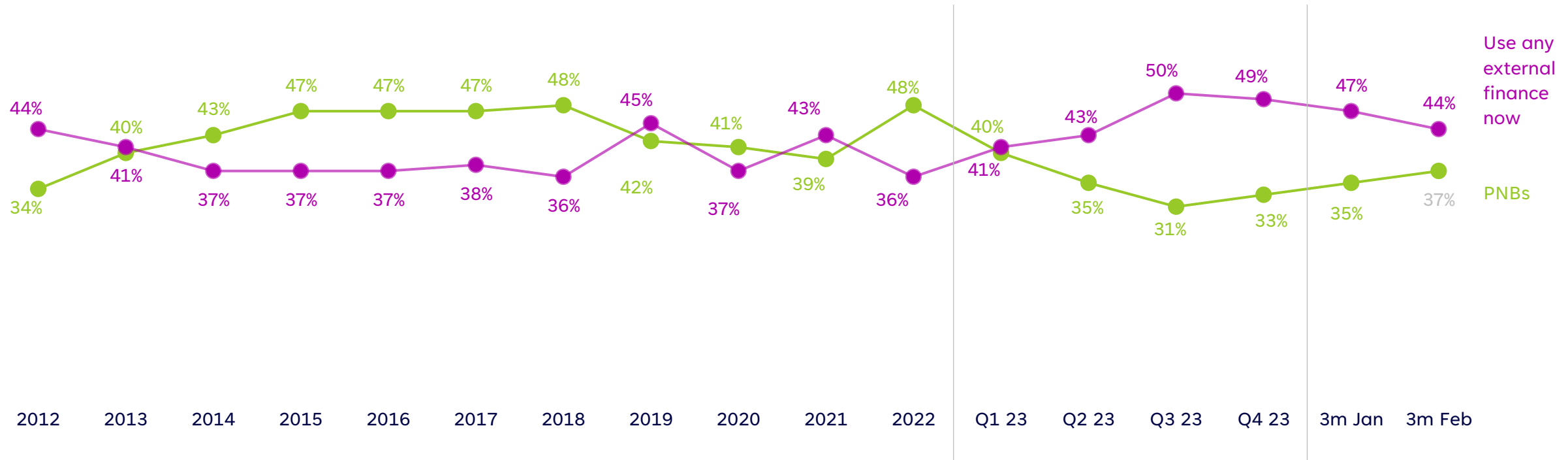
Time series: Main forms of finance used



Q15 all SMEs 3m Feb 4351 (no adjustment made re new use of finance definition)

The definition of PNB was also refined from Q1 2023, excluding all pandemic funding. The proportion of PNBs has increased somewhat since Q3 2023 and the ‘gap’ to external finance has narrowed

Time series: Permanent non-borrowers and users of external finance

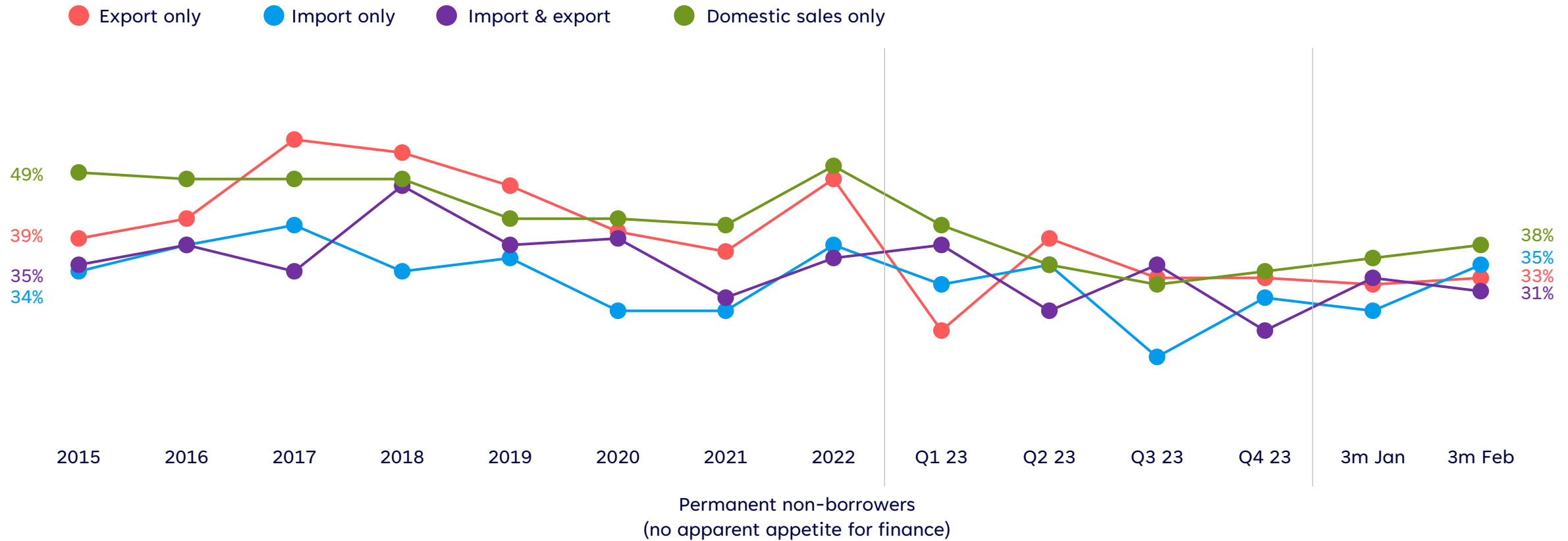


The ‘Permanent non-borrowers’ are firms with no apparent appetite for finance and are defined by not using external finance and showing no inclination to do so. From Q1 2023 a revised definition applies, taking into account any pandemic funding the SME might have received – those who are still repaying it are now “using external finance” and those who took funding but have since repaid it cannot be a PNB

Q15 and Disgeg Base : All respondents 3m Feb 4351

In contrast to previous years, there is currently little to choose between International and Domestic only SMEs in terms of the proportion of PNBs

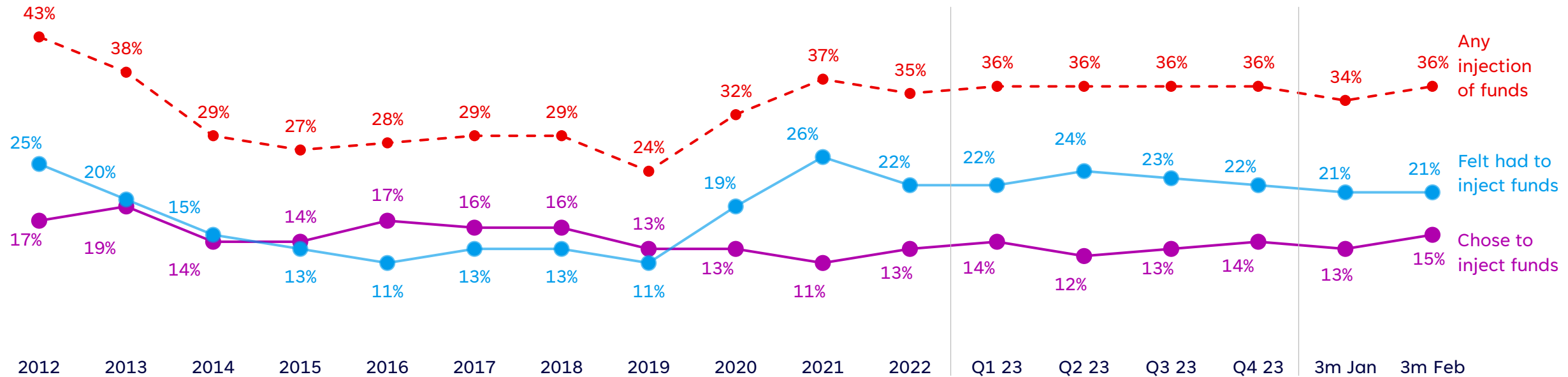
Time series: Permanent non-borrowers by extent of international trade alongside domestic sales



Disgeg Base: all 3mths to Feb 205/446/386/3314

A stable 36% of SMEs had injected personal funds in the past year, higher than pre-pandemic but still below the 'pandemic peak' of 39%

Time series: Injections of personal funds in previous 12 months

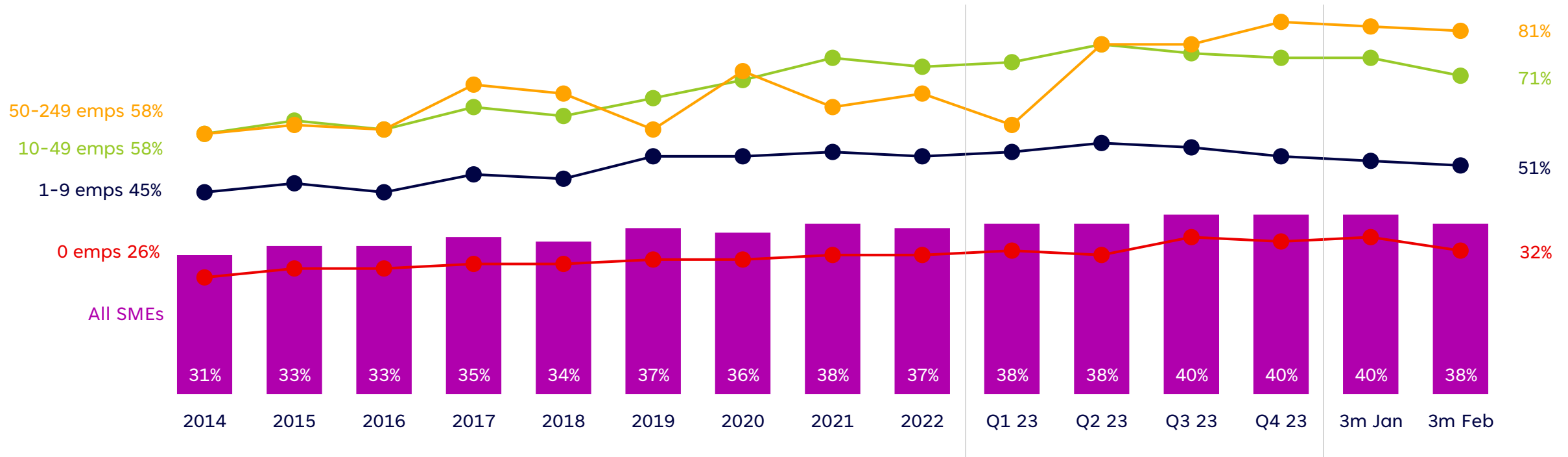


The proportion of SMEs injecting funds fell from a peak of 43% in 2012 to 28-29% of SMEs from 2016 onwards. In 2019 the proportion dropped to a quarter of SMEs, but then increased again to 37% in 2021. 39% reported an injection in Q1 2022, but this proportion has been lower but stable since the start of 2023, currently 36%, in line with 2023. Unlike pre-pandemic, SMEs remained more likely to feel they had to inject funds (21%) than to have chosen to (15%), though the gap is narrowing.

Q15d Base : All respondents 3m Feb 4351

38% of SMEs were using trade credit, stable since 2021, with the largest SMEs more likely to be using it than in previous years.

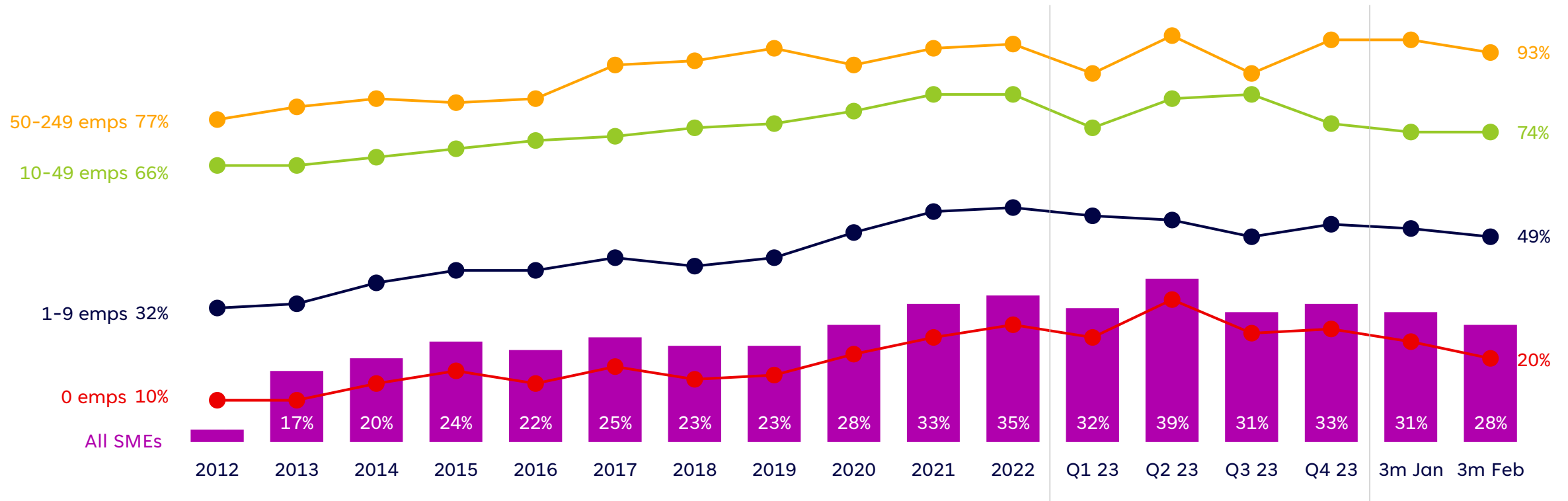
Time series: : Using trade credit



Q14 Base: All respondents 3m Feb 4351

Overall, 28% of all SMEs held more than £10,000 of credit balances, somewhat lower than in recent years as fewer 0 employee SMEs held such sums

Time series: £10k credit balances held

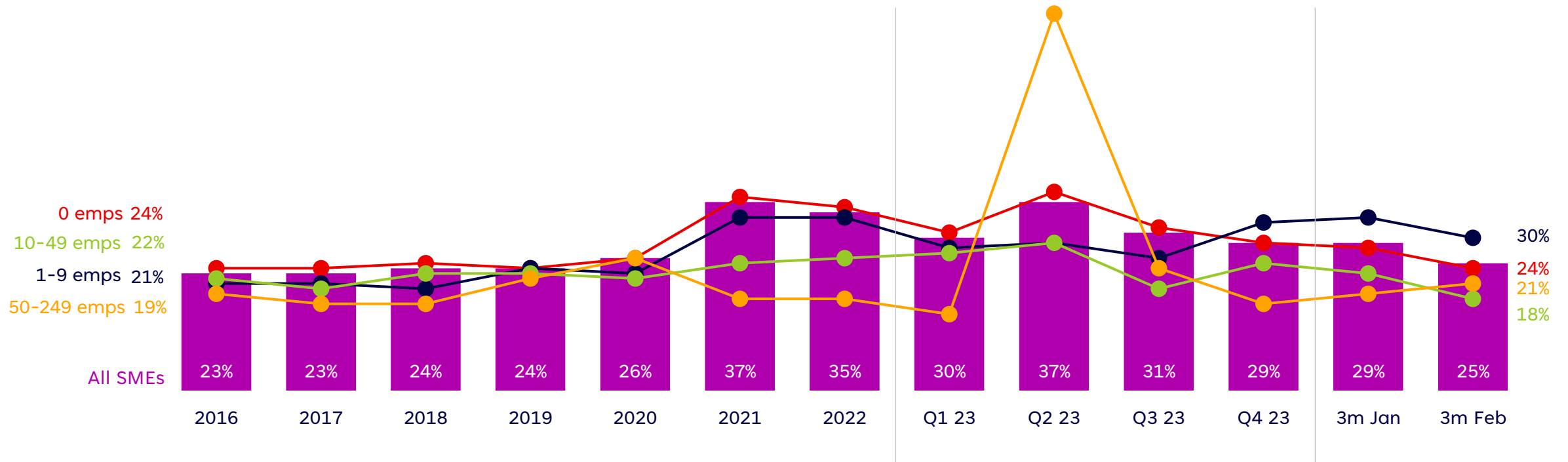


The proportion of SMEs holding £10,000 or more in credit balances increased from 3% in 2012 to 24% in 2015 and remained broadly stable to 2019. During 2020, the proportion of SMEs holding such sums increased steadily, to 28% for the year as a whole. 35% of SMEs held such sums in 2022, reaching 39% in Q2 2023, but lower since, currently 28%, in line with 2020

Q117 Base: All respondents 3mths to Feb excl DK 2182

SMEs held the equivalent of 25% of their turnover in credit balances, closer to levels seen pre-pandemic, as fewer SMEs held £10k+ balances while average turnover increased

Time series: % of turnover held as credit balances



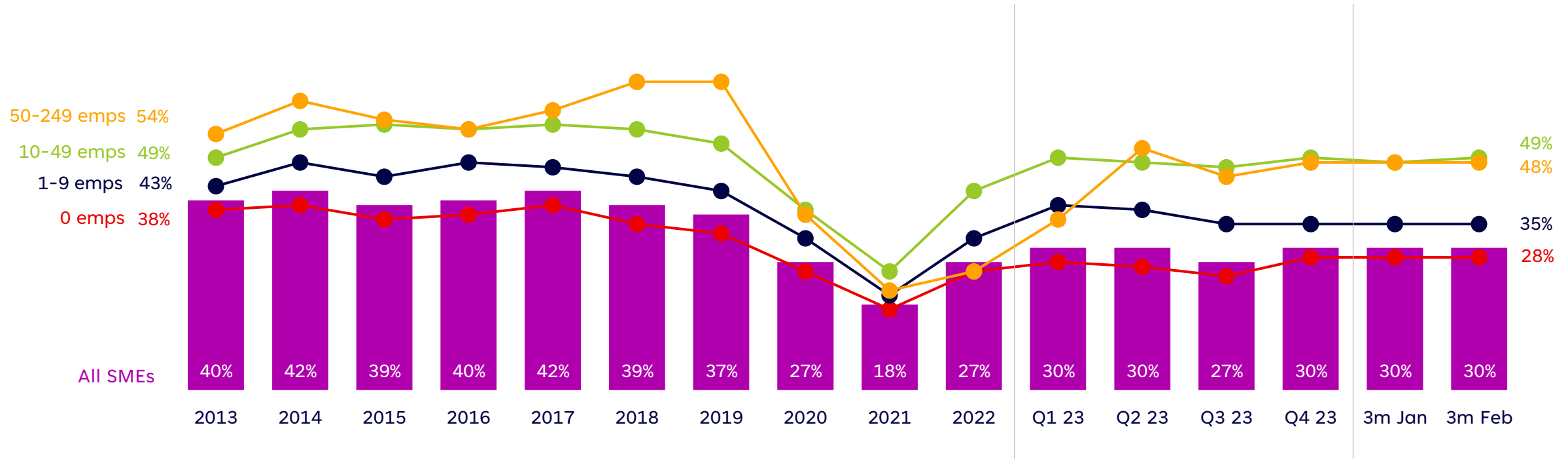
More recent analysis looks at credit balances held as a percentage of total turnover (both collected in bands, with mid-points used and noting that turnover figures were affected by the pandemic but did increase somewhat in 2023). For the 3 months to February 2024, SMEs held the equivalent of 25% of their turnover in credit balances on average, somewhat lower than recent years

Q244/Q9 Base : All respondents 3mths to Feb excl DK 1923

Percentage cap imposed from Jan 2022 to prevent 1-2 respondents having disproportionate impact on average

30% of eligible SMEs reported growth in the last 12 months, stable overall, but not yet back to pre-pandemic levels, with a clear divide at 10 employees

Time series: Have grown (excluding Starts)

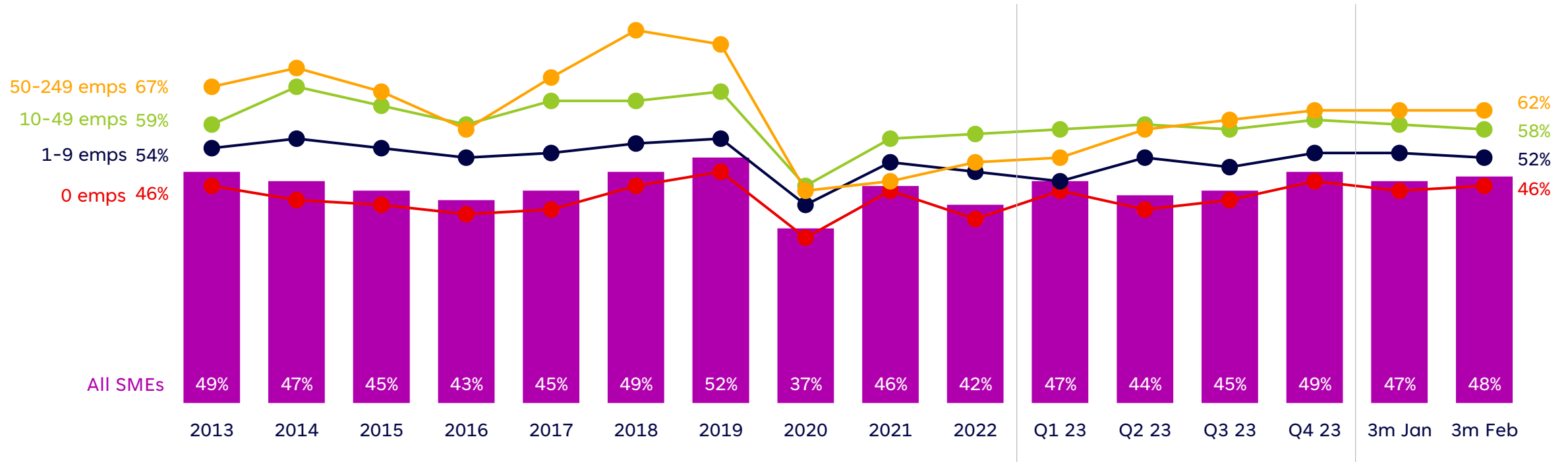


2012 to 2019, the proportion of SMEs (excluding Starts) reporting growth varied little and was 37% for 2019. Reported growth was initially broadly stable in 2020 but then declined steadily across all size bands and was 27% for the year as a whole and 18% for 2021. It increased in 2022 (27% overall) and has been stable since (30% currently). In 2019, 19% of SMEs had declined, remaining at a similar level for H1 2020, but as the pandemic made more of an impact on performance, the proportion increased to 65% in Q1 2021. It was a stable 30% in the latest period, as 39% of SMEs remained the same size.

Q81 Base : All respondents excluding Starts and DK. 3 mths to Feb 4102

Growth aspirations have been broadly stable since Q1 2023 and whilst in line with typical pre-pandemic levels overall, larger SMEs are less likely to be planning to grow now than they were then

Time series: Have plans to grow

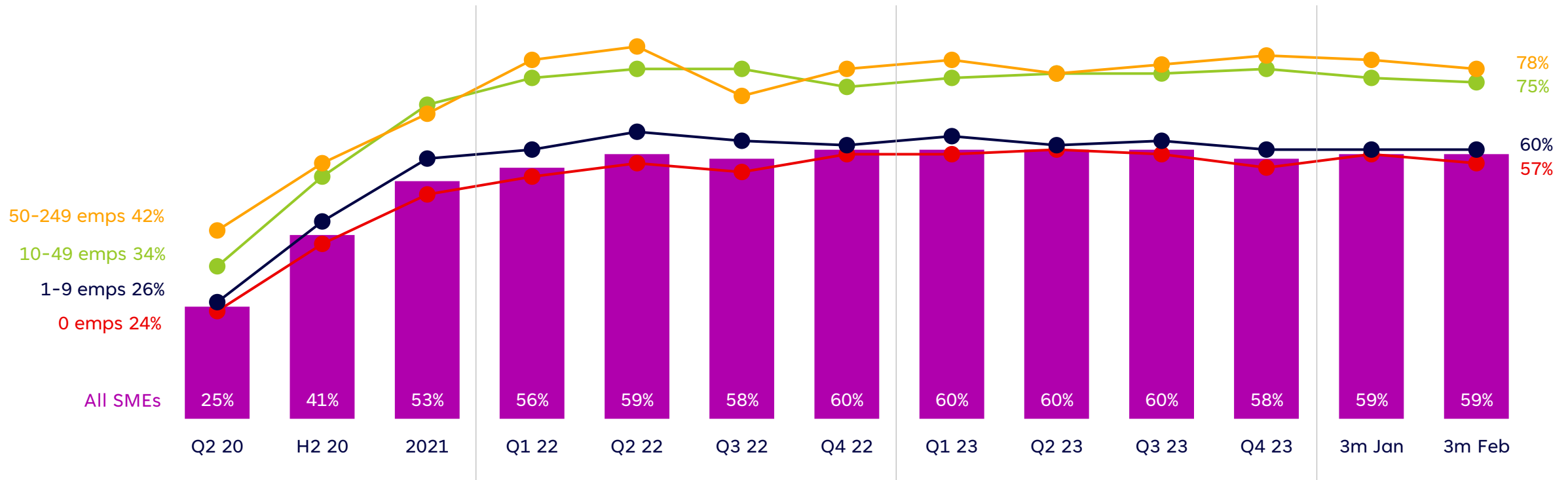


For 2019 as a whole, 52% of SMEs expected to grow, up from 49% in 2018 and the highest level seen to date on SMEFM. In the first half of 2020 those aspirations lowered significantly and to 37% for the year as a whole. The increase in 2021 to 46% was not entirely maintained in 2022 (42%) but a fairly stable proportion has planned to grow since Q1 2023 (48% currently), though the return of growth aspiration to pre-pandemic levels for smaller SMEs is not matched by those with 10-49 or 50-2409 employees

Q91 Base : All respondents 3m to Feb 4351

After increasing from 25% in Q2 2020 to 60% in Q4 2022, the proportion of SMEs in a “good” mood about their businesses has remained stable, with a clear divide between smaller and larger SMEs.

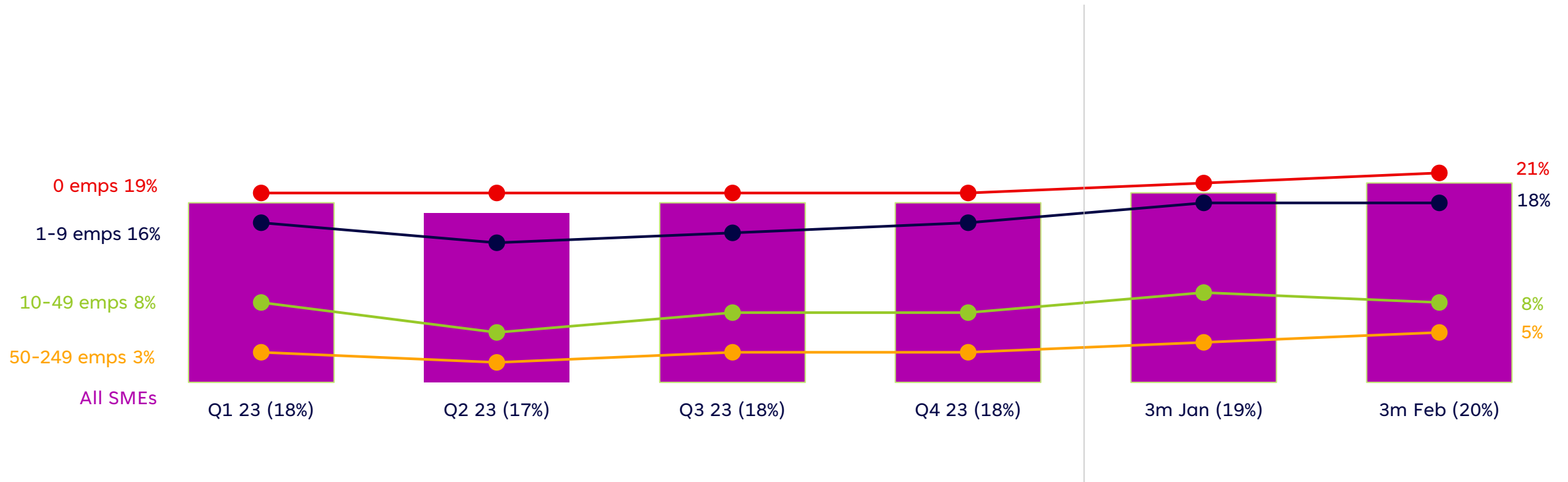
Time series: In a ‘good’ mood about the business (7-10)



Qcv1 all SMEs 3m to Feb 4351

20% of SMEs were 'Struggling', little changed in 2023. The smallest SMEs remained more likely to be in this category, but with something of an increase over time for those with 1-9 employees since Q2 2023

NEW Time series: Feel that they are 'struggling'

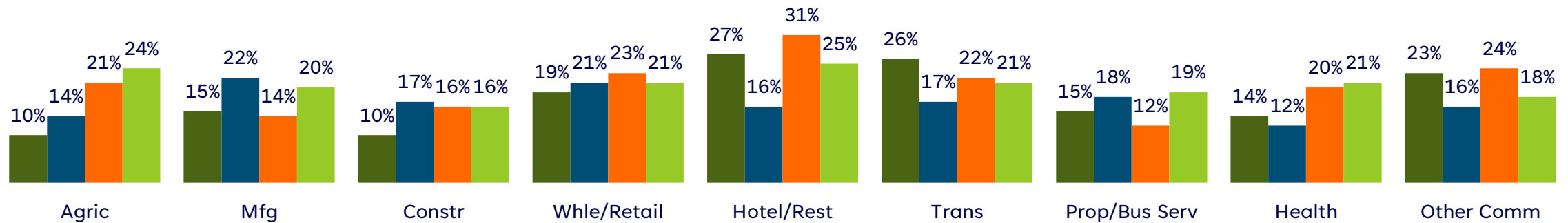


Qcv8 all SMEs 3m to Feb 4351

There has been no consistent pattern for the proportion 'Struggling' by sector, but the proportion has grown in Agriculture and is still highest in Hospitality

Struggling: by sector (over time)

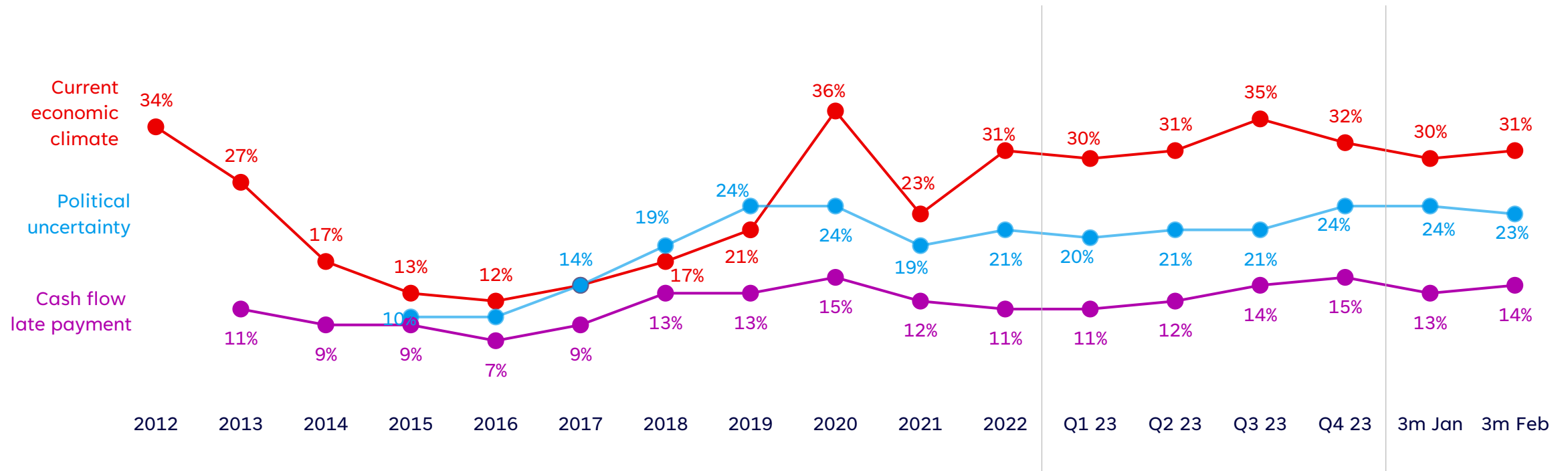
■ Q2 23 (17%) ■ Q3 23 (18%) ■ Q4 23 (18%) ■ 3m Feb (20%)



Cv8 Base : All SMEs

31% of SMEs saw the current economic climate as a major obstacle, in line with H1 2023 and below the ‘pandemic peak’ of 47% in Q2 2020. Concerns around cash flow and late payment increased to Q4 2023 but now stable

Time series: 8-10 major obstacle to running business in next 12 months

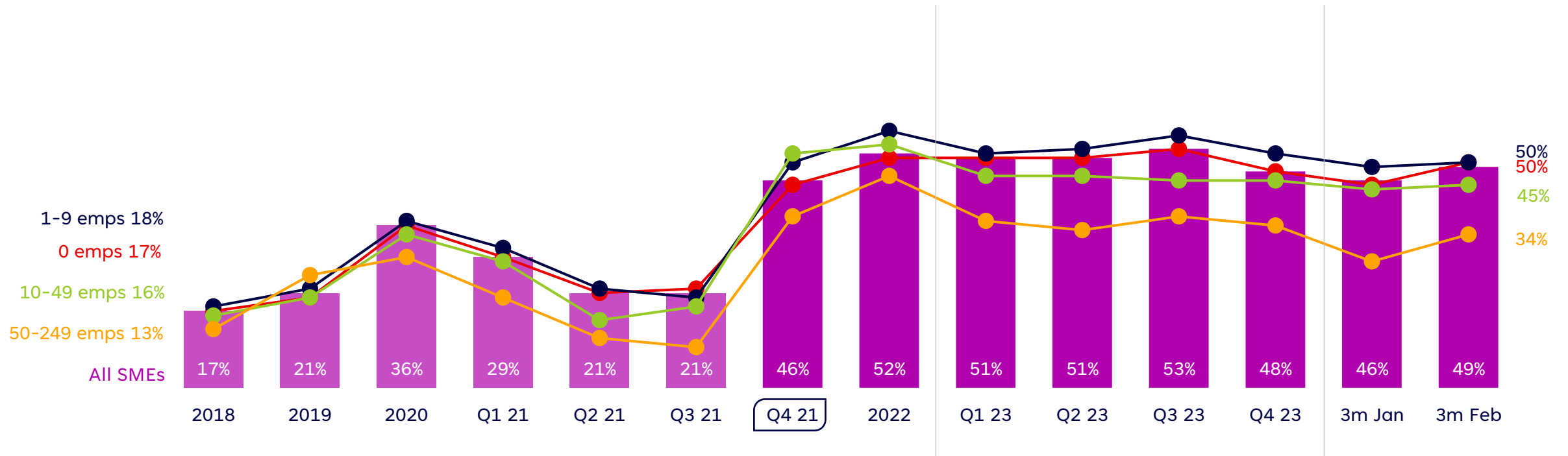


Concern for the economic climate increased most markedly from Q1 to Q2 2020 (20% in Q1 to 47% in Q2), the highest level seen to date. It then declined, to 23% in 2021, but increased from the start of 2022 to 35% in Q3 2023 but is 31% currently. Concern about political uncertainty also increased during 2023 but is stable, while concern for cash flow/late payment increased steadily in 2023 to 15% and broadly stable since

Q93 Barriers to running business as would want in next 12 months
 Base : All respondents 3m to Feb 4351

An increasing proportion of SMEs reported broader economic concerns to Q3 2023 (53%), with levels of concern somewhat lower since

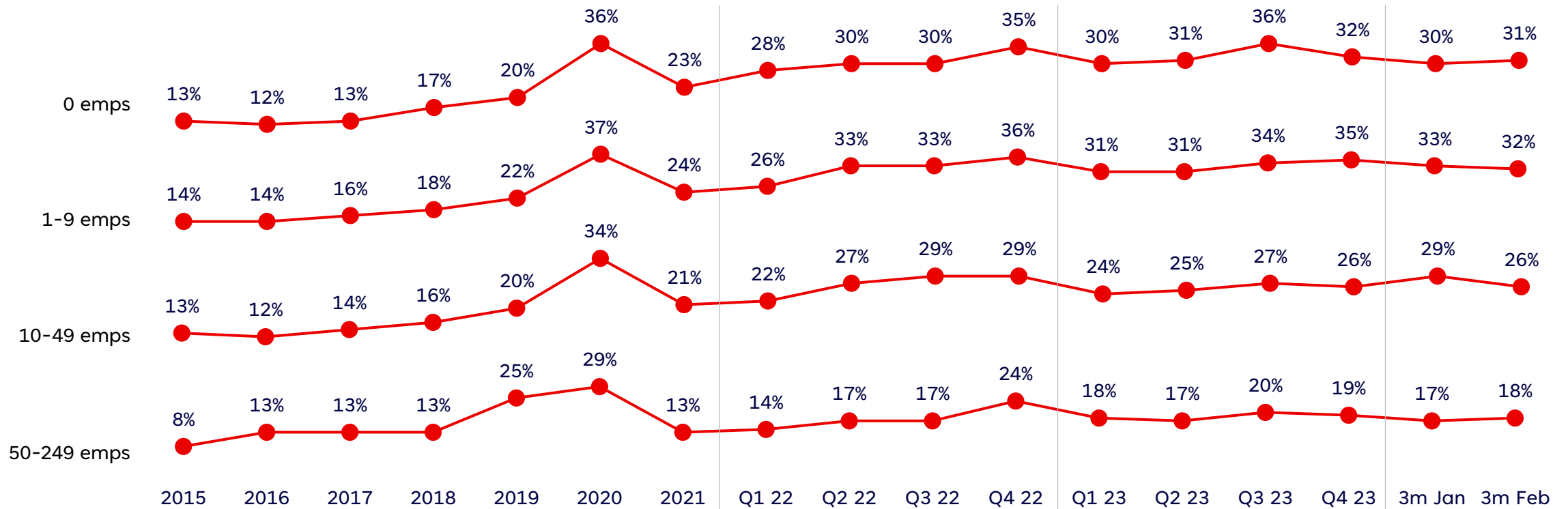
Time series: Broader economic concerns (from Q4 2021 – previously only “Current economic climate”)



Q93 Base : All SMEs 3m to Feb 4351 score 8-10 for any of “Current economic climate”, “Increasing costs” or “Supply chain issues”

Concerns about the economic climate were typically in line with, or slightly lower than, Q4 2023

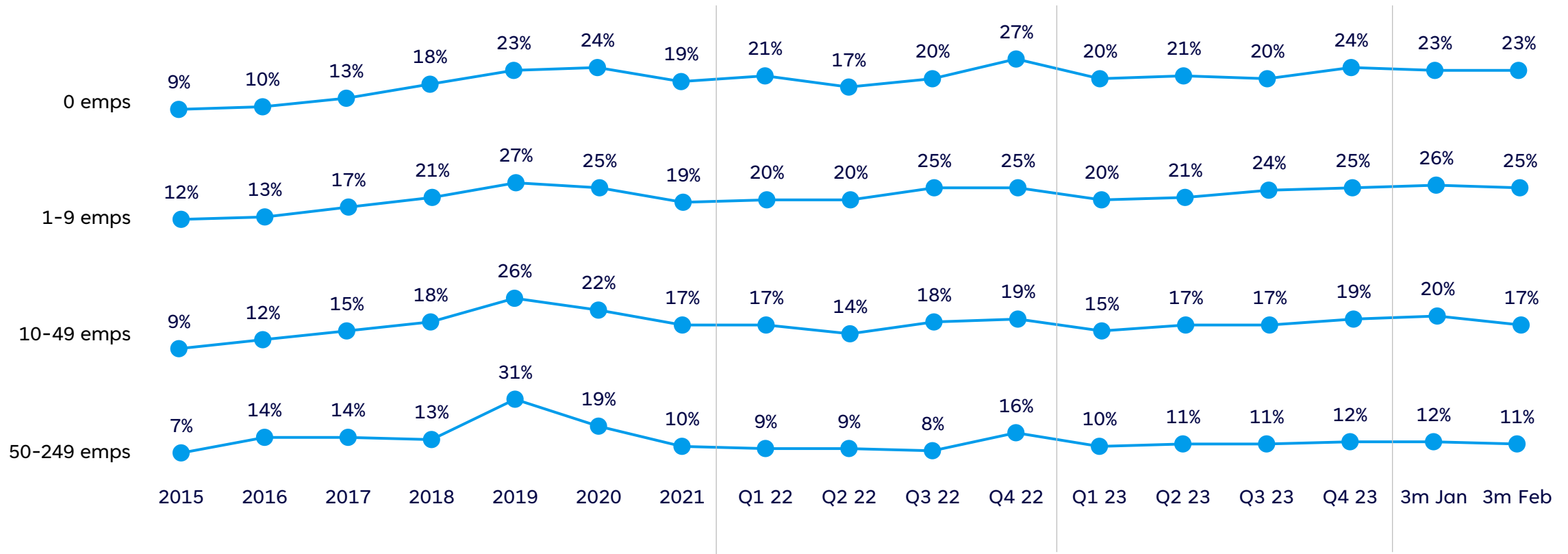
Time series: % Rating 'The current economic climate' 8-10 a major obstacle for next 12 mths



Q93 Base: All

The 1-9 employee SMEs remained somewhat more concerned about political uncertainty than their peers

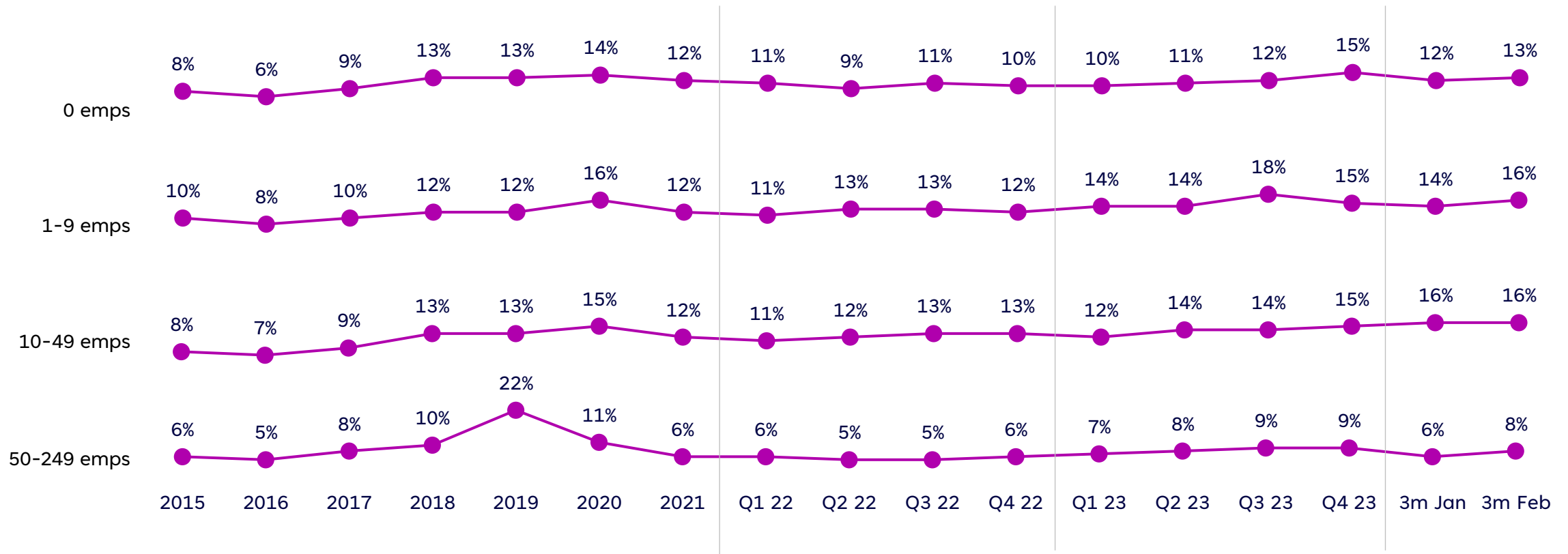
Time series: % Rating 'Political uncertainty' a major obstacle for next 12 mths



Q93 Base: All

Compared to the start of 2023, all SMEs except the largest are currently slightly more concerned about cash flow/late payment

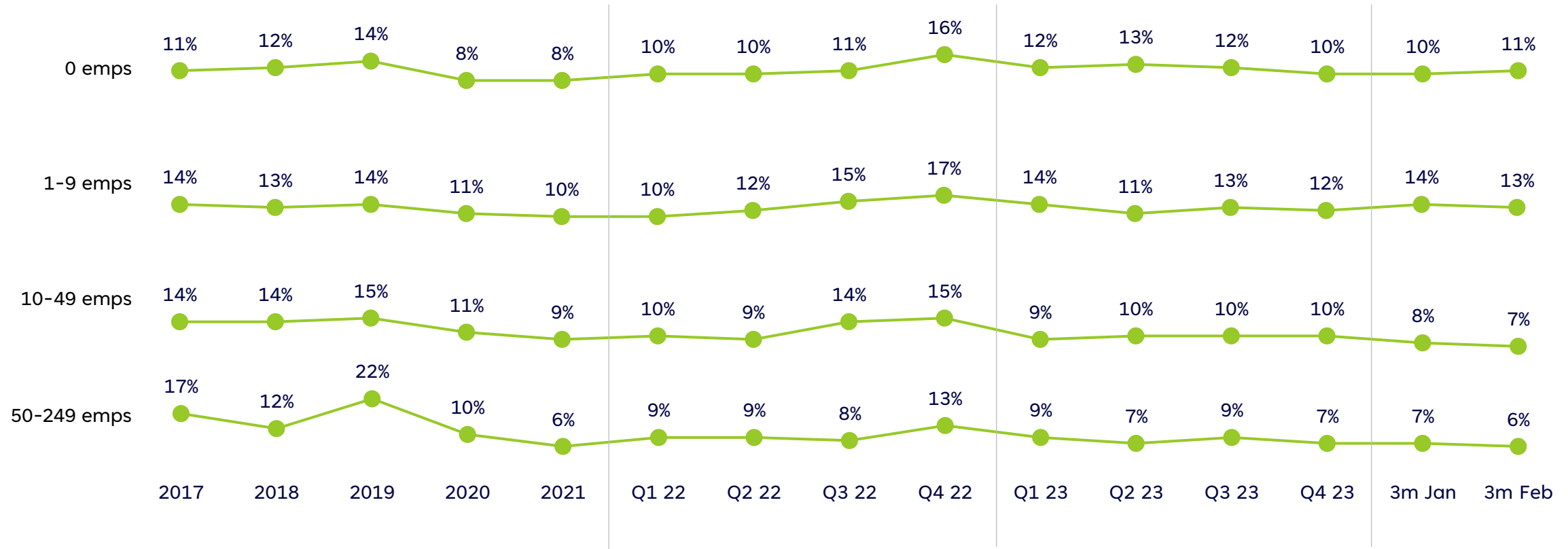
Time series: % Rating 'Cash flow or issues with late payment' a major obstacle for next 12 mths



Q93 Base: All

Concerns about the value of sterling increased to 16% overall to Q4 2022 but have abated somewhat since (a stable 11% overall currently)

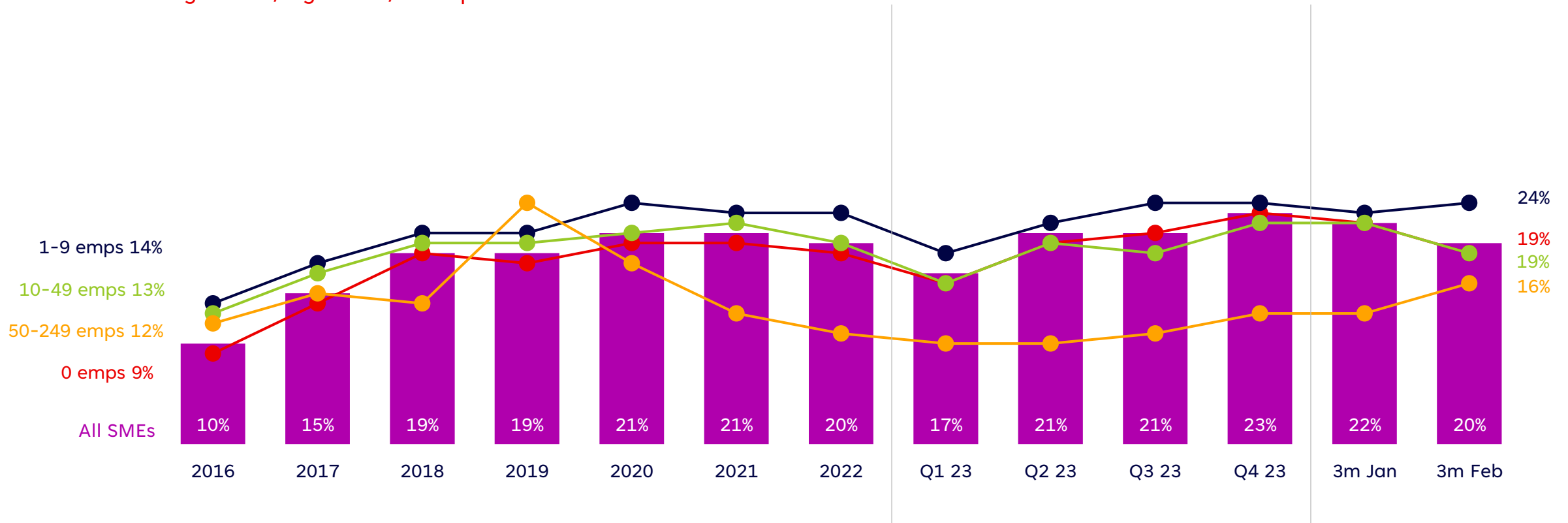
Time series: % Rating 'Changes in the value of sterling' a major obstacle for next 12 mths



Q93 Base: All

A stable 20% of SMEs considered the legislative / regulatory landscape a barrier, but with different trends by size as those with 1-9 employees and 50-249 employees became more likely to see this as a barrier

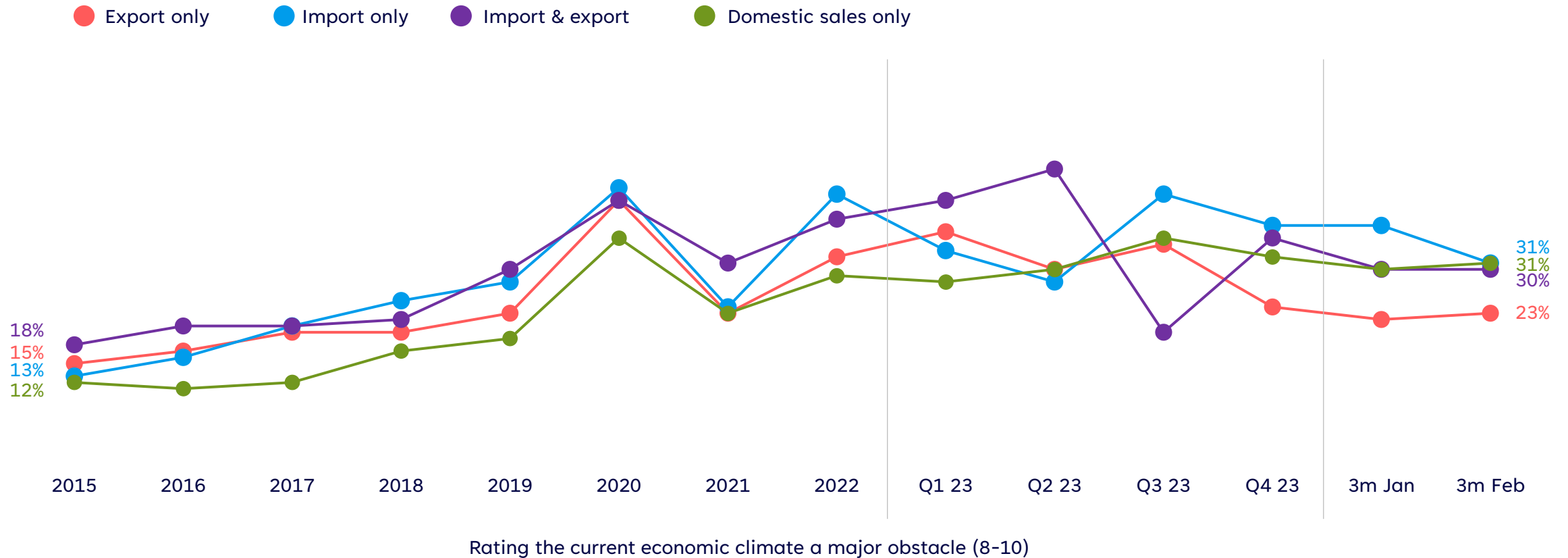
Time series: % legislation/regulation/red tape 8-10 barrier



Q93 Base : All SMEs 3m to Feb 4351

Since 2020, sentiment amongst international SMEs about the economic climate has been volatile. Export-only SMEs are currently somewhat less concerned than their peers

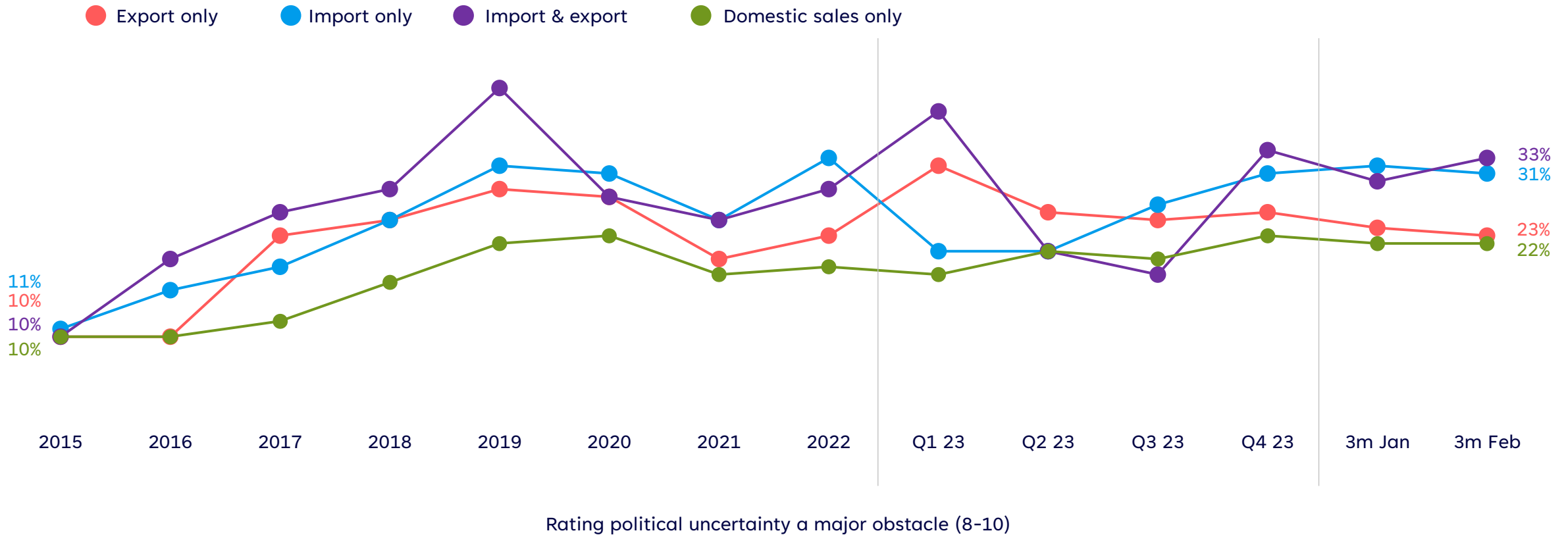
Time series: 8-10 economic climate by extent of international trade alongside domestic sales



Q93 Base: All 3mths to Feb 205/446/386/3314

Concern regarding political uncertainty has also been volatile but remained more of an issue for those with an element of importing to their business

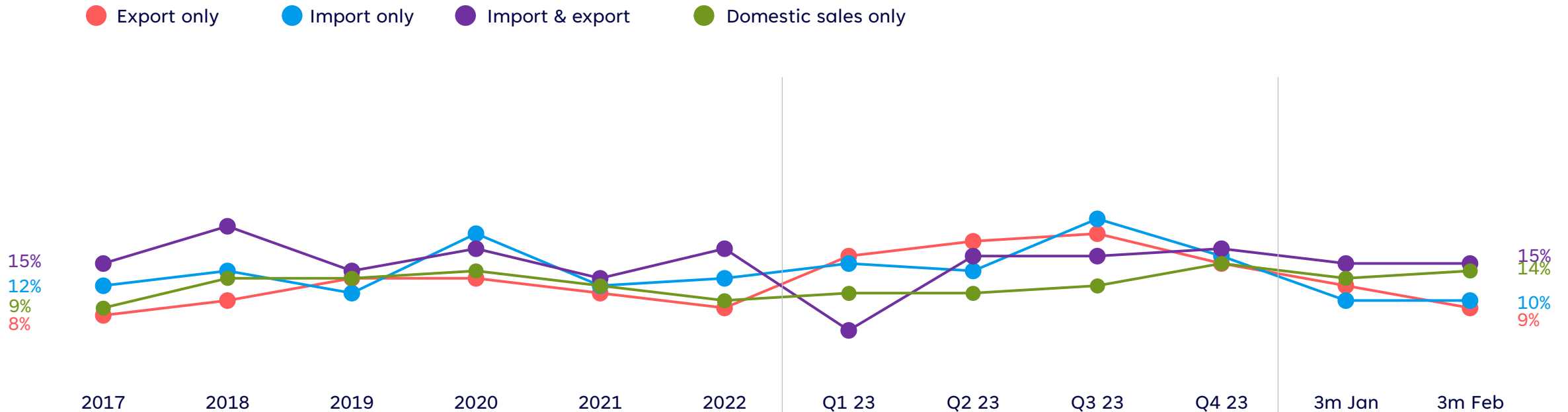
Time series: 8-10 political uncertainty by extent of international trade alongside domestic sales



Q93 Base: All 3mths to Feb 205/446/386/3314

Concerns about late payment and cash flow increased to Q3 2023 and are currently slightly more of an issue for fully international and domestic SMEs

Time series: 8-10 cash flow / late payment by extent of international trade alongside domestic sales

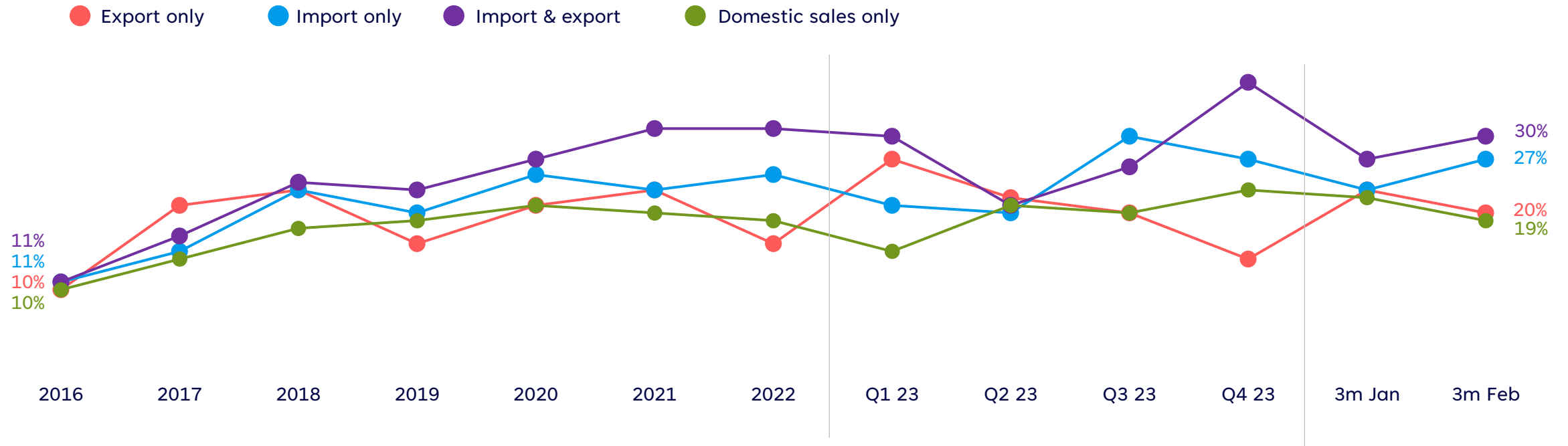


Rating cash flow / late payment a major obstacle (8-10)

Q93 Base: All 3mths to Feb 205/446/386/3314

SMEs with an element of importing to their business remained slightly more concerned about legislation/regulation/red tape

Time series: 8-10 changes in “legislation/regulation/red tape” by extent of international trade alongside domestic sales

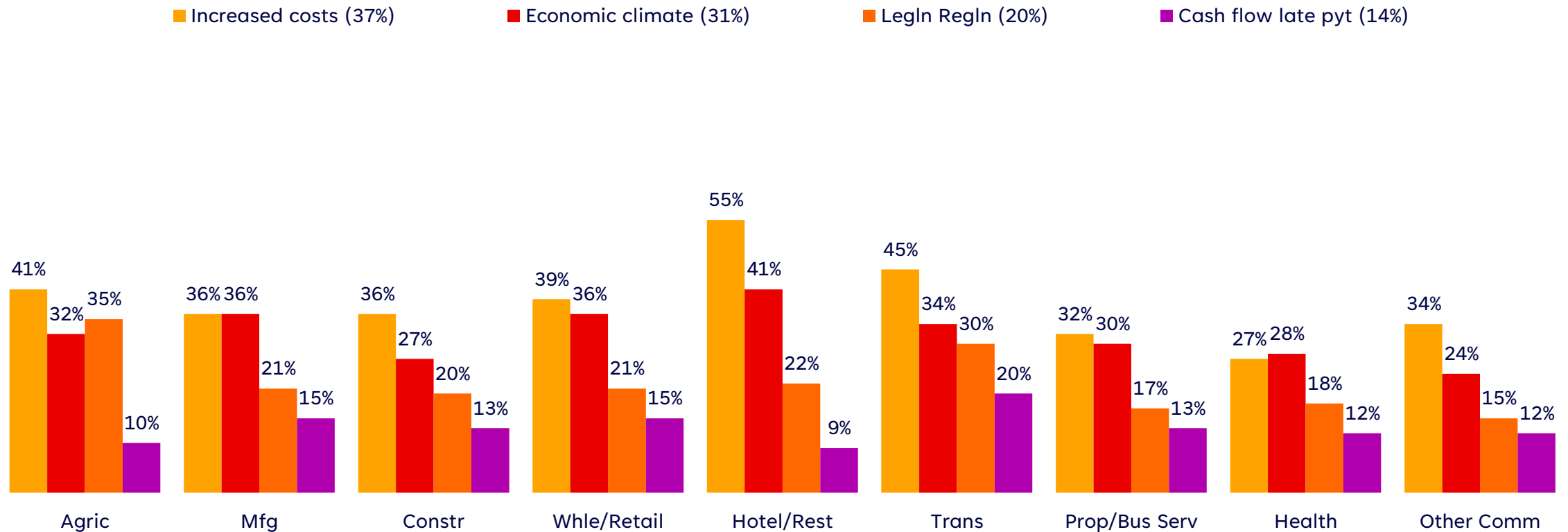


Rating changes in legislation/regulation/red tape a major obstacle (8-10)

Q93 Base: All 3mths to Feb 205/446/386/3314

Increased costs remained more of a barrier for Hospitality, also more likely to have been affected by the economic climate, alongside Wholesale/Retail and Manufacturing

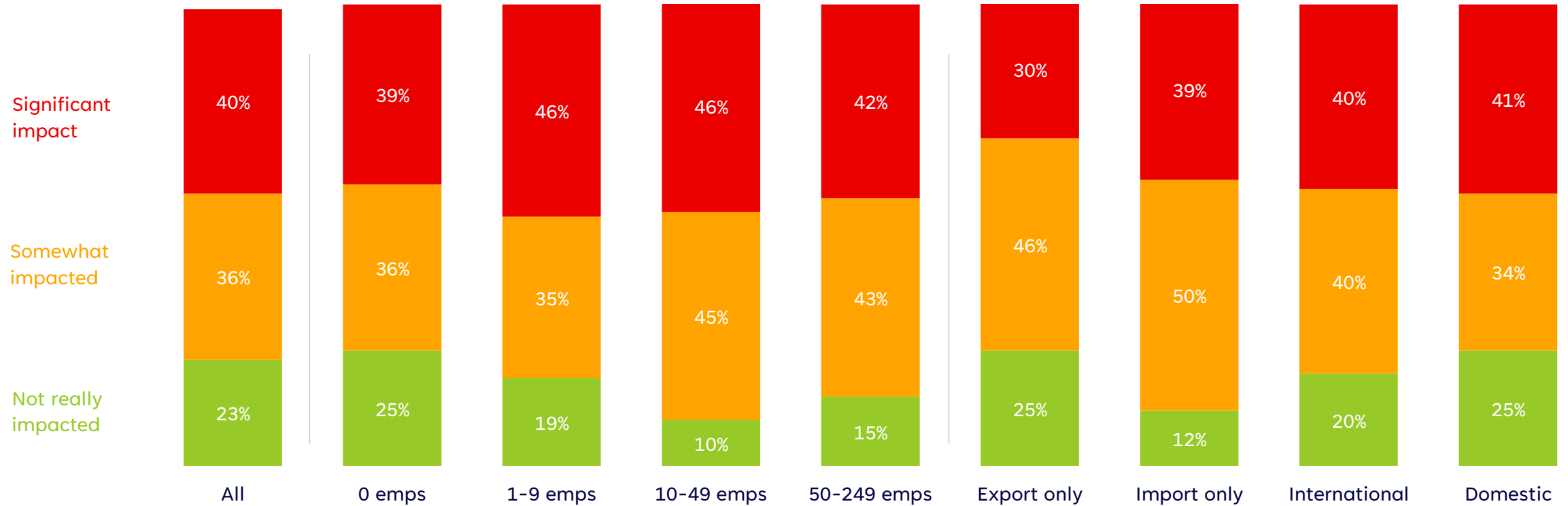
Major barriers: by sector 3m to February 2024



Q93 Base : All SMEs

4 in 10 SMEs said that they had been ‘significantly impacted’ by increasing costs. SMEs with 1-9 or 10-49 employees remained the most likely to report a significant impact

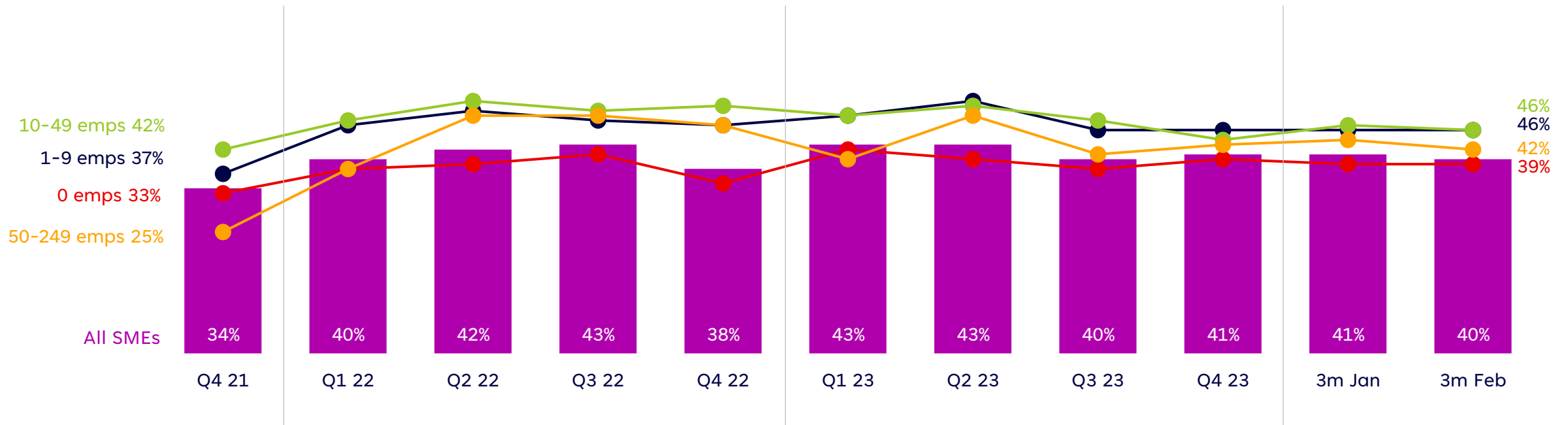
Any impact of increasing costs: 3m to February 2024



CV3b All SMEs 3m to Feb 4351

Since Q1 2022, a stable 4 in 10 SMEs have been significantly affected by increased costs, with limited differences by size of SME

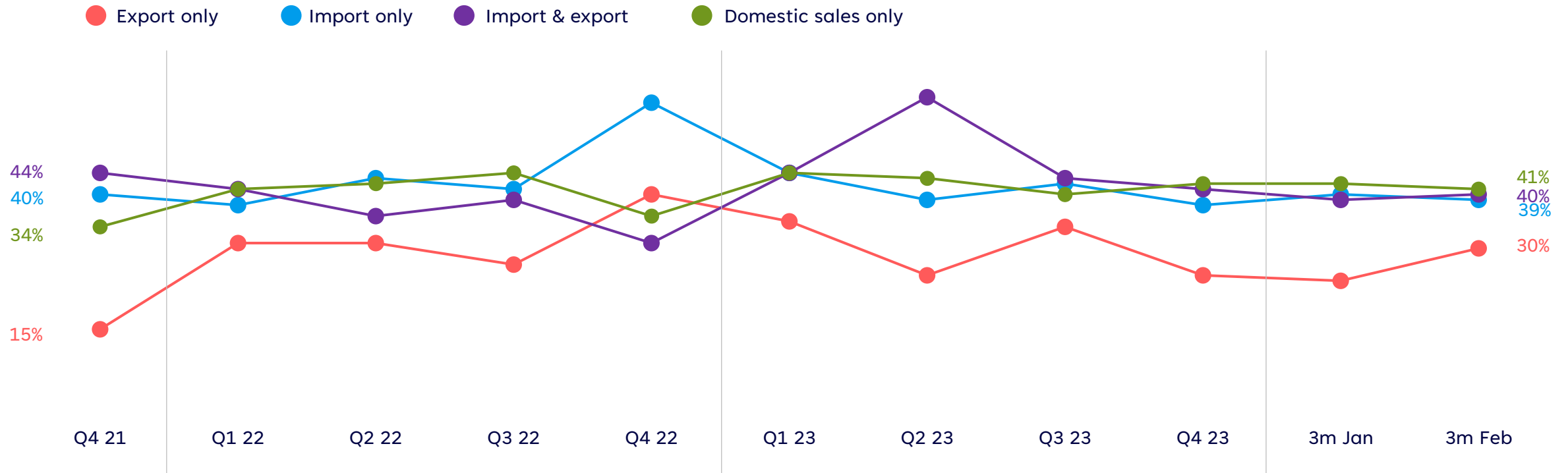
Time series: Significantly affected by increasing costs



QCV3b Base: All respondents 3 mths to Feb 4351

Export-only SMEs remained less likely to have reported significantly increased costs, though by a narrower margin than recently seen

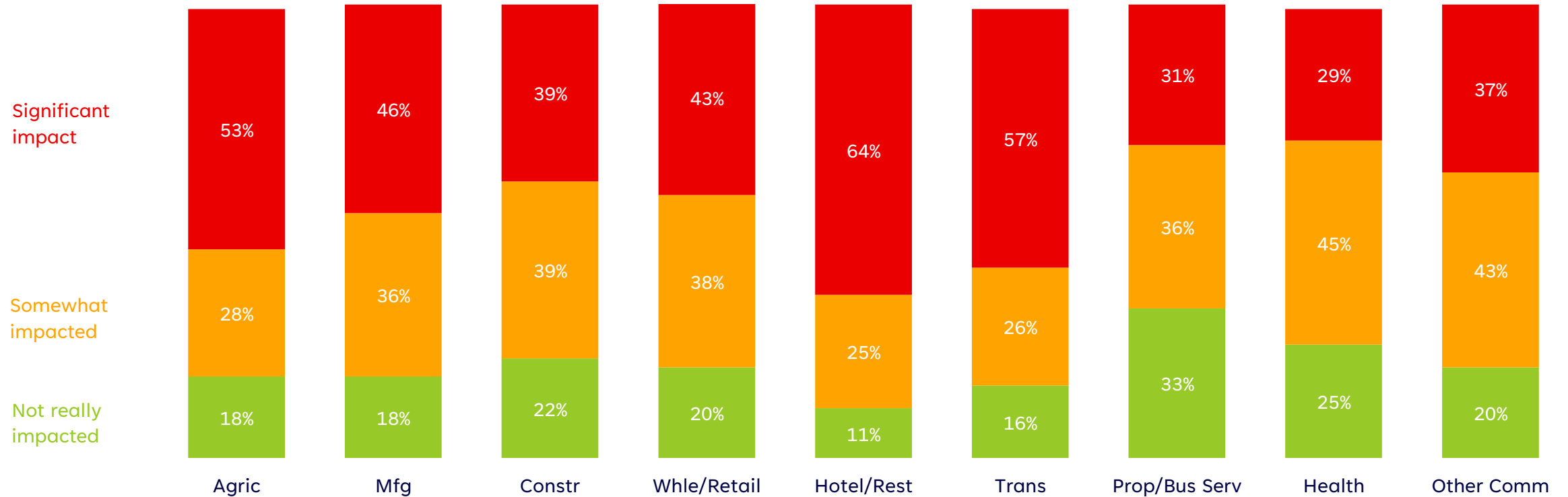
Time series: Significantly affected by increasing costs by extent of international trade



QCV3B Base: All 3mths to Feb 205/446/386/3314

There remained a clear sector split in terms of the impact of increasing costs, ranging from 29% significantly impacted in Health to 64% in Hotels and Restaurants.

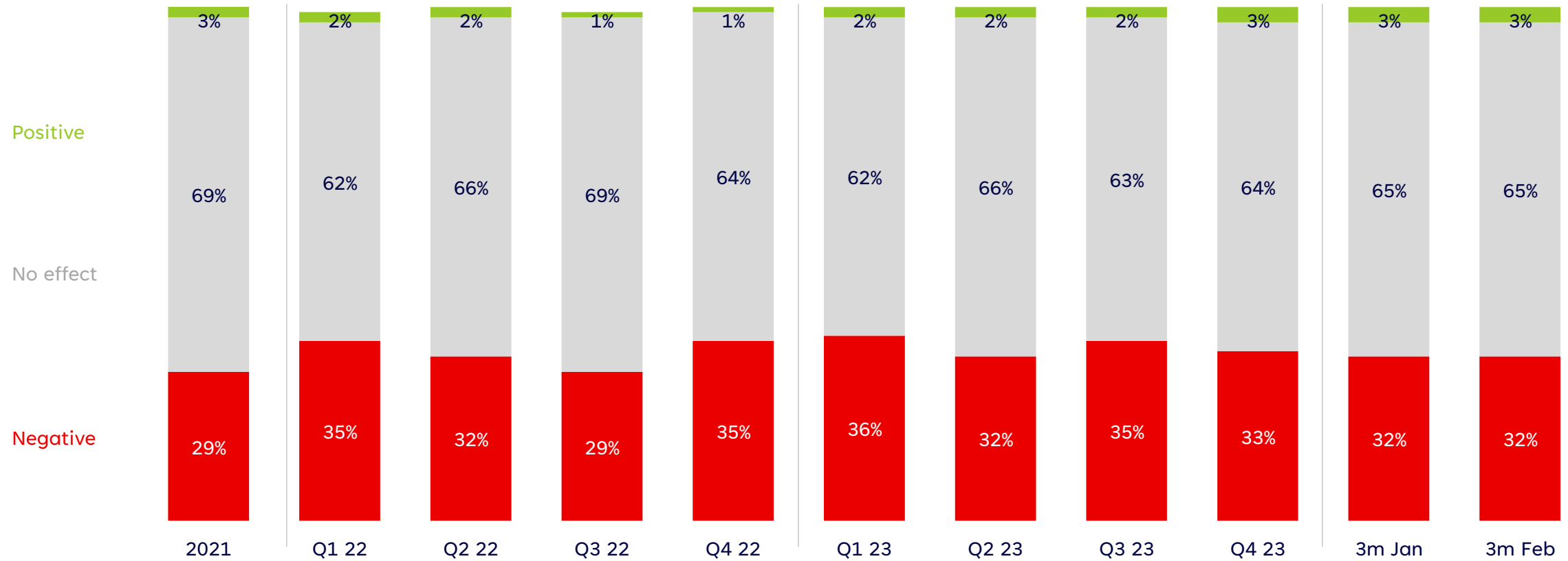
Impact of increasing costs: by sector 3m to February 2024



CV3b All SMEs 3m to Feb 4351

A stable 1 in 3 SMEs reported a negative impact on their business caused by the new trading arrangements with the EU. As in previous waves, most (2 in 3), reported 'no impact'.

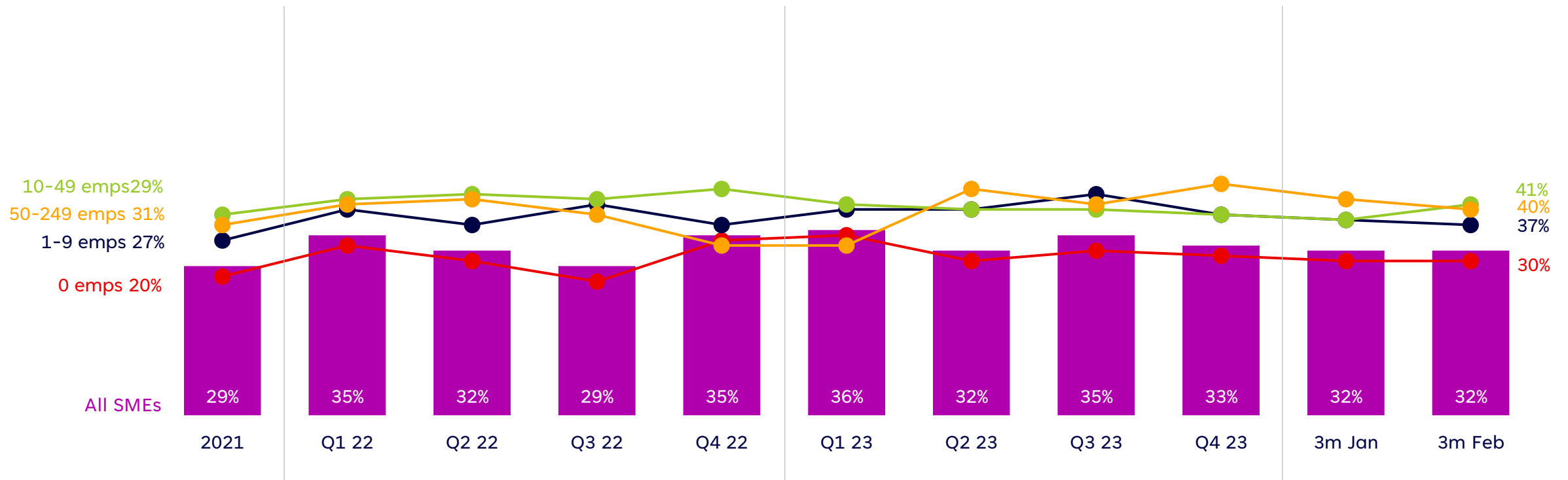
Time series: Impact of the new trading arrangements with the EU



Q84c all SMEs excluding Dk 3m Feb 4242

SMEs with 0 employees remained slightly less likely to have been negatively affected by the new EU arrangements than their larger peers

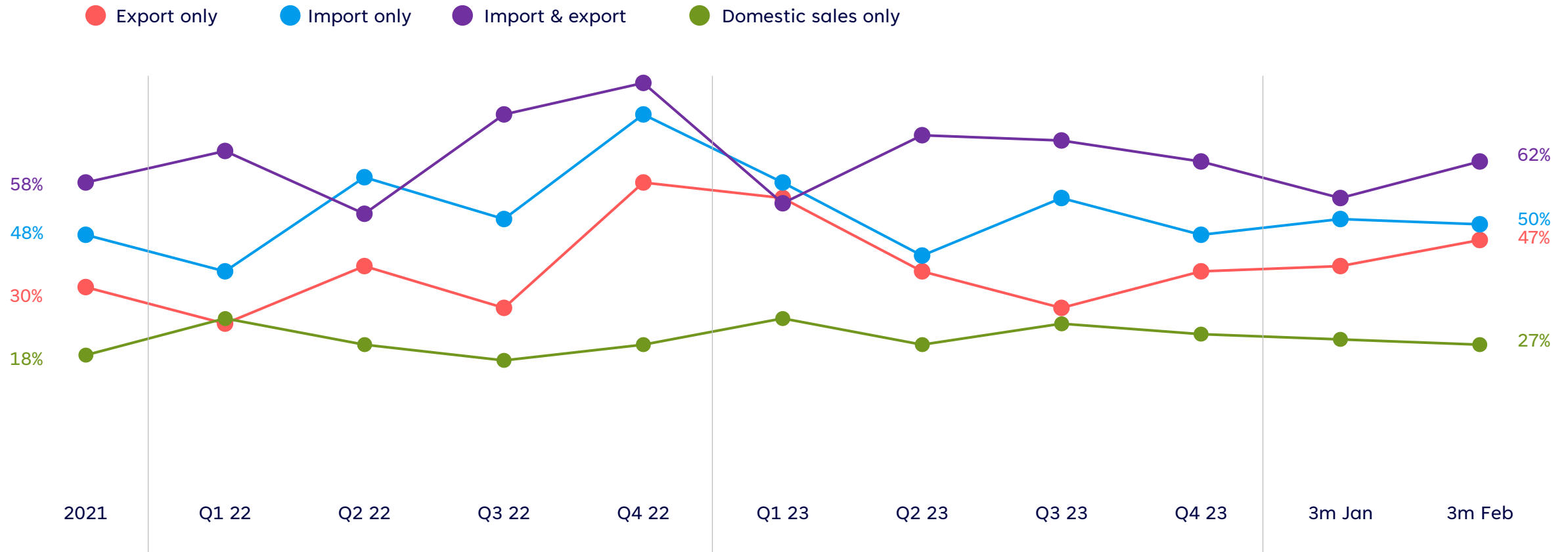
Time series: Negatively impacted by new EU trading arrangements



Q84c all SMEs excluding DK 3m to Feb 4242

SMEs with any element of international trade to their business remained more likely than domestic SMEs to see a negative impact to the new trading arrangements, including an increasing proportion of exporters

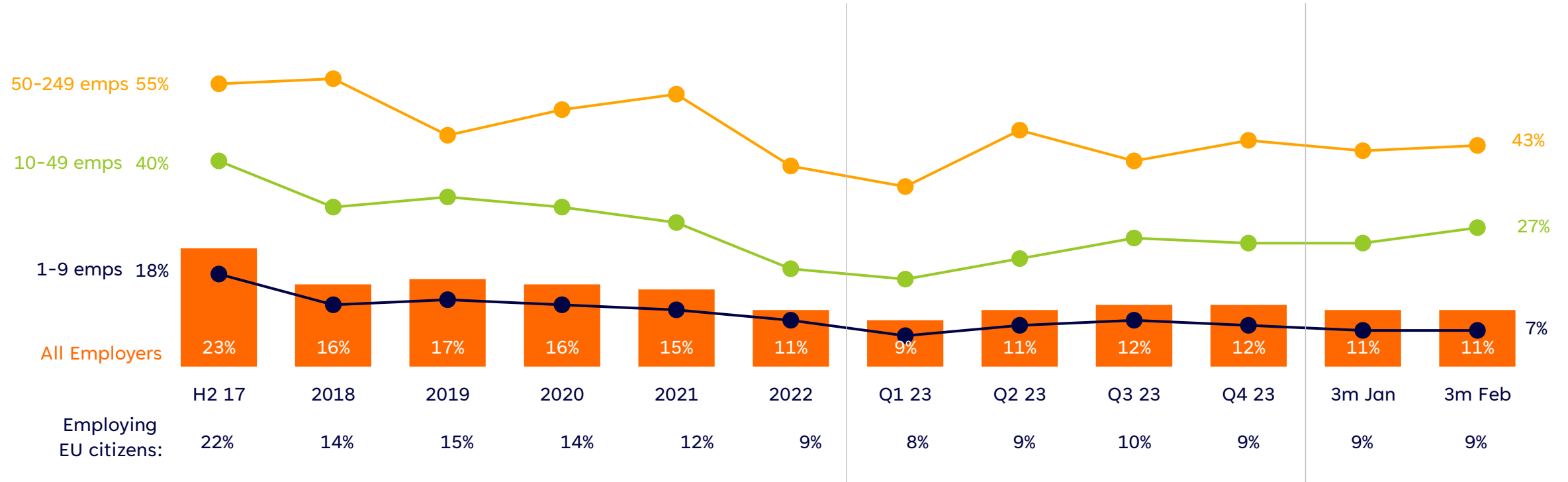
Time series: Negatively impacted by new EU trading arrangements by extent of international trade



Q84c Base: All 3mths to Feb excl DK 200/436/375/3231

The proportion of SME employers with non-UK staff has increased slightly since Q1 2023 for those with 10-249 employees, but remained below pre-pandemic levels

Time series: Employ non-UK staff (from the EU or elsewhere overseas)

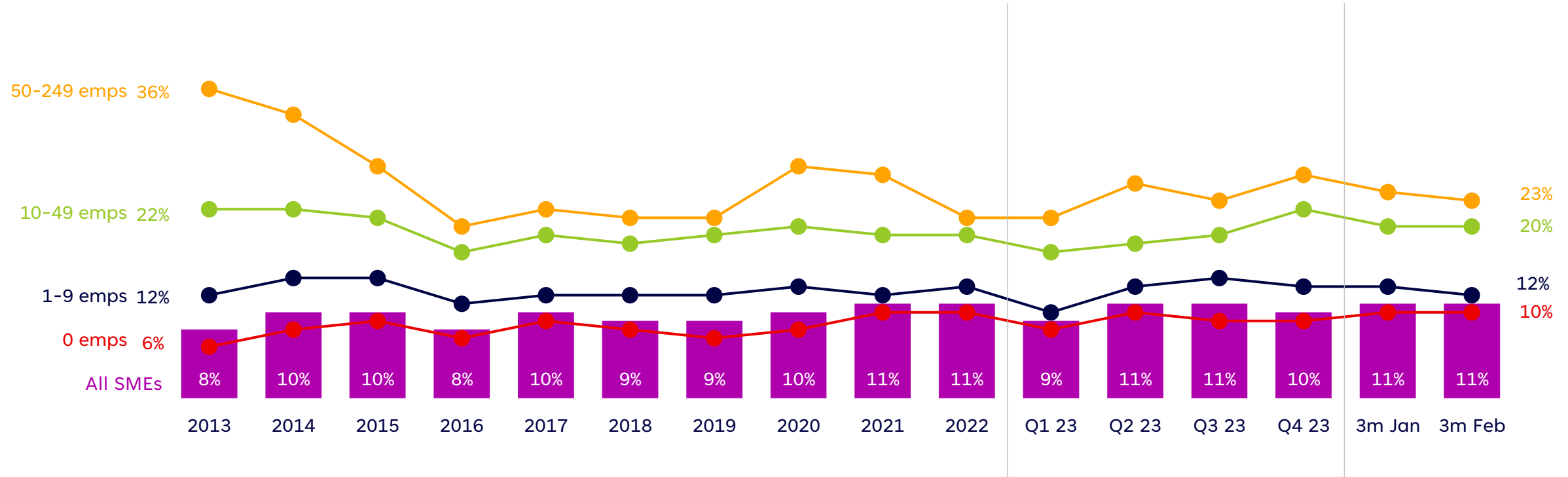


When this question was first asked in H2 2017, a quarter (23%) of employers had staff from overseas. From 2018 to Q2 2021 the proportion was lower but stable, then started to fall and has been around 1 in 10 since: In the current period 9% of employers had staff from the EU (almost half the proportion in 2017) and 5% had staff from elsewhere outside the EU.

Q84 Base : All employers 3mths to Feb 3344

11% of all SMEs exported, with little change over time, due to the 0 employee SMEs. Those with 10-249 employees became somewhat more likely to export in 2023, but with a slight decline in 2024 to date

Time series: Exporters

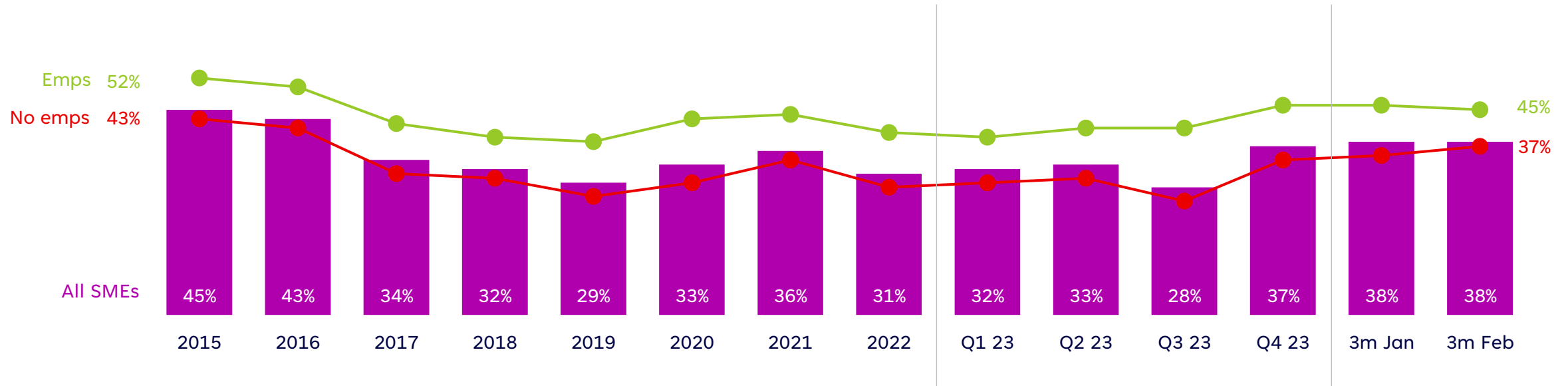


The proportion of exporters increased from 6% in 2012 to 10% in 2014 and 2015. In 2021, 11% of SMEs were exporters and there has been relatively little change since, with larger SMEs still more likely to be selling overseas than their peers.

Q84 Base: All respondents 3mths to Feb 4351

Almost 4 in 10 SMEs were happy to borrow to grow, in line with 2021, as more 0 employee SMEs agreed with this statement

Time series: Agree that happy to use external finance to help business grow

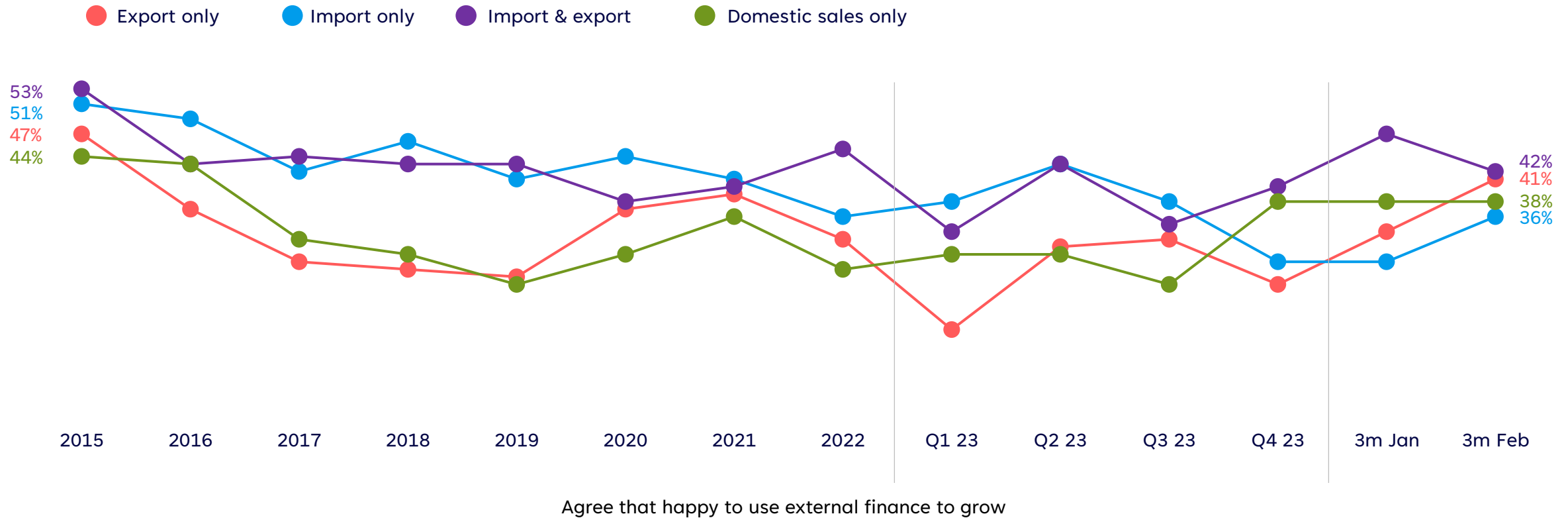


After remaining stable during 2016, the proportion of SMEs happy to use finance to grow declined over time to 3 in 10 SMEs in 2019. It then increased steadily to 36% for 2021 before settling at 3 in 10 in 2022. In the current period 38% were happy to borrow to grow, back to 2021 levels

Q96 Base : All respondents 3mths to Feb 4351

The proportion of SMEs involved in international trade that agreed they were happy to borrow to grow remained volatile with currently little to choose between Domestic and International SMEs.

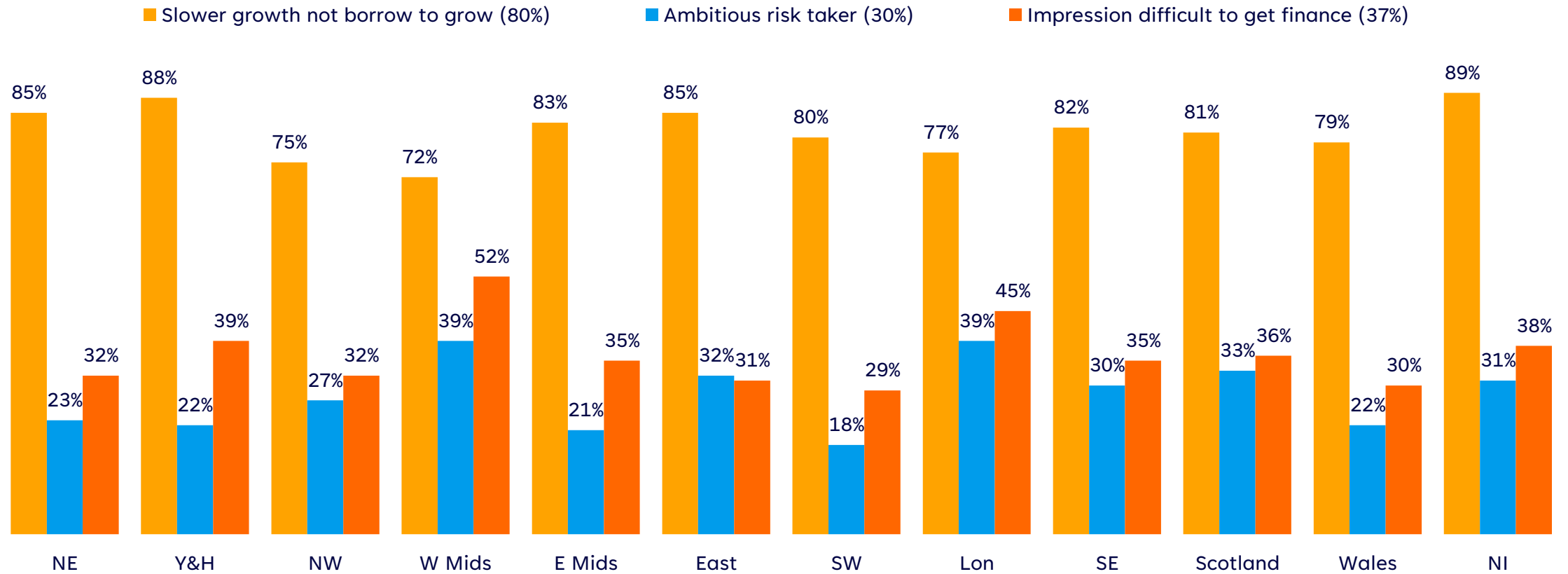
Time series: Agree that happy to use external finance to help business grow



Q96 Base: All 3mths to Feb 205/446/386/3314

SMEs in the West Midlands and London were more likely to feel it might be difficult for them to get finance, and both were more likely to be Ambitious risk takers than their peers

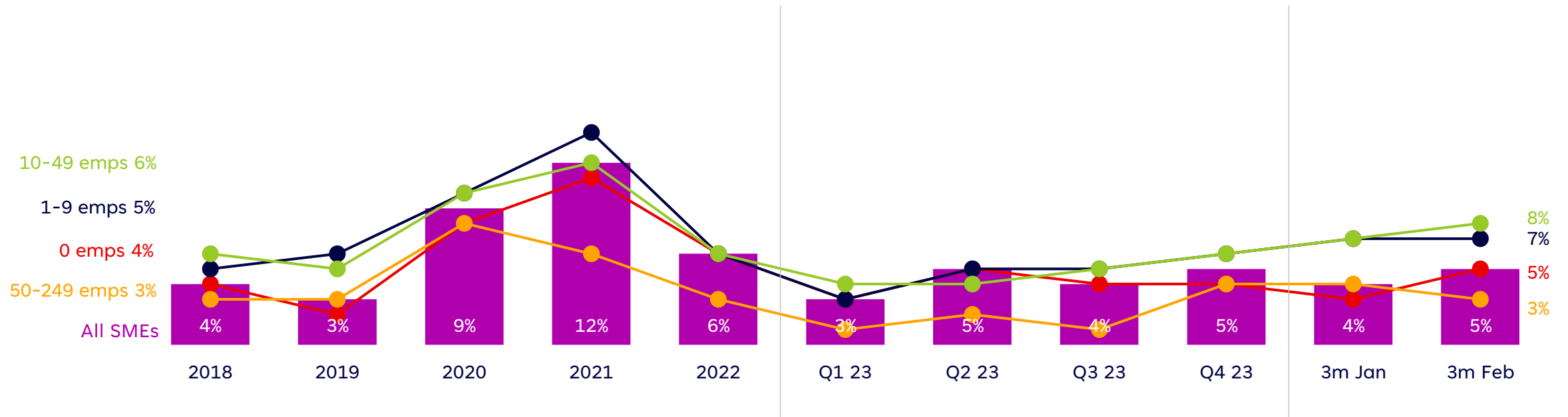
Key attitudes: by region 3m to February 2024



Q96 Base : All SMEs

Reported need for external funding in the last 12 months remained low at 5% overall, but with something of an increase for those with 10-49 employees since Q2 2023

Time series: Had a need for external funding in past 12 months (whether applied or not)

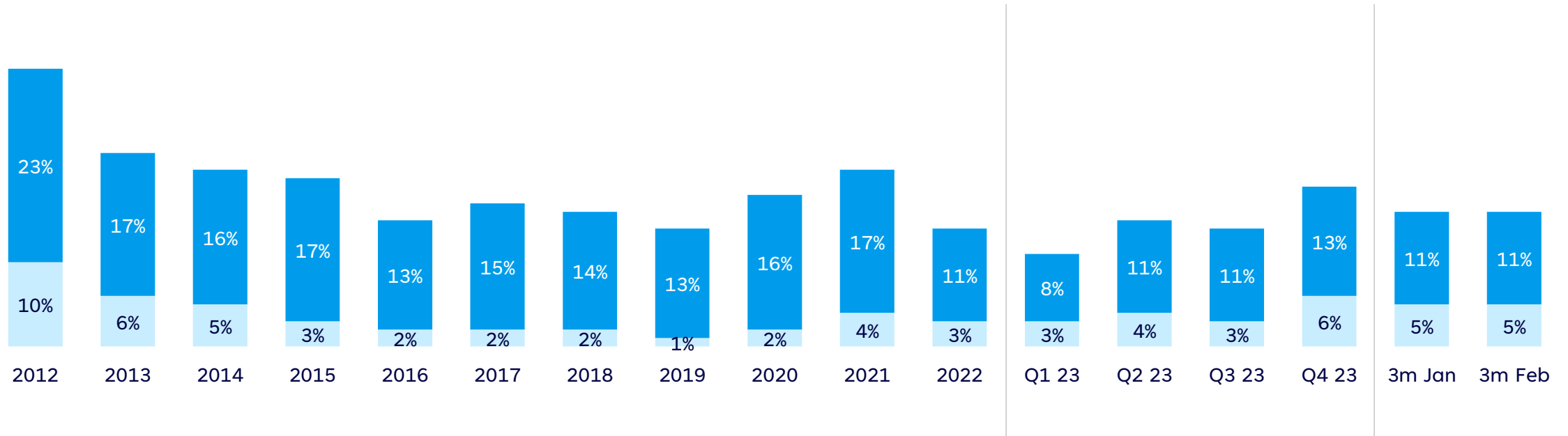


Q25 Base: All SMEs 3 mths to Feb 4351

The proportion reporting a borrowing event (11%) or an unfulfilled wish to apply (5%) increased slowly through 2023, but with no further increase in 2024 to date

Time series: Any appetite for finance in 12 months prior to interview

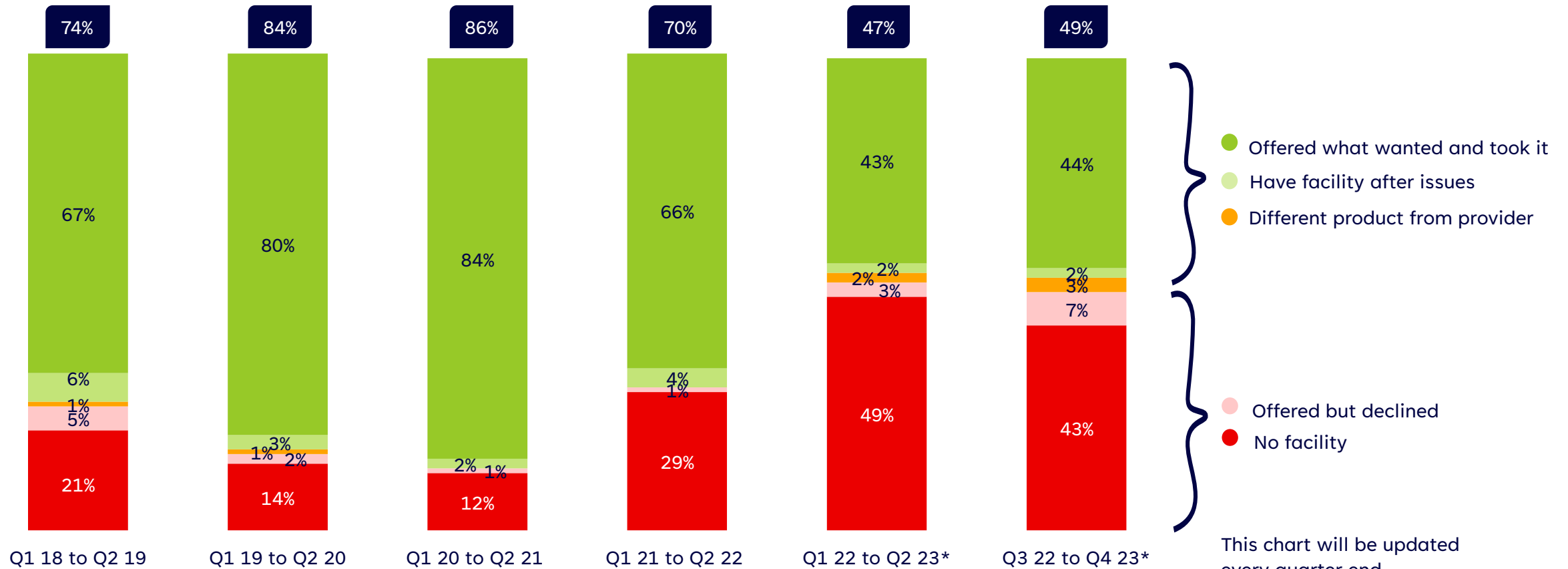
● Had any event ● Wanted to seek



Pastfin Base: All SMEs 3m to Feb 4351

18 month rolling success rates (across all applications) show higher success rates for those made when Government backed schemes were available. Success rates for the more recent 18 mth periods are notably lower (driven indicatively more by applications from 2022 than 2023)

Global success rate: all applications reported from Q1 2018 to Q4 2023, occurring in the periods shown

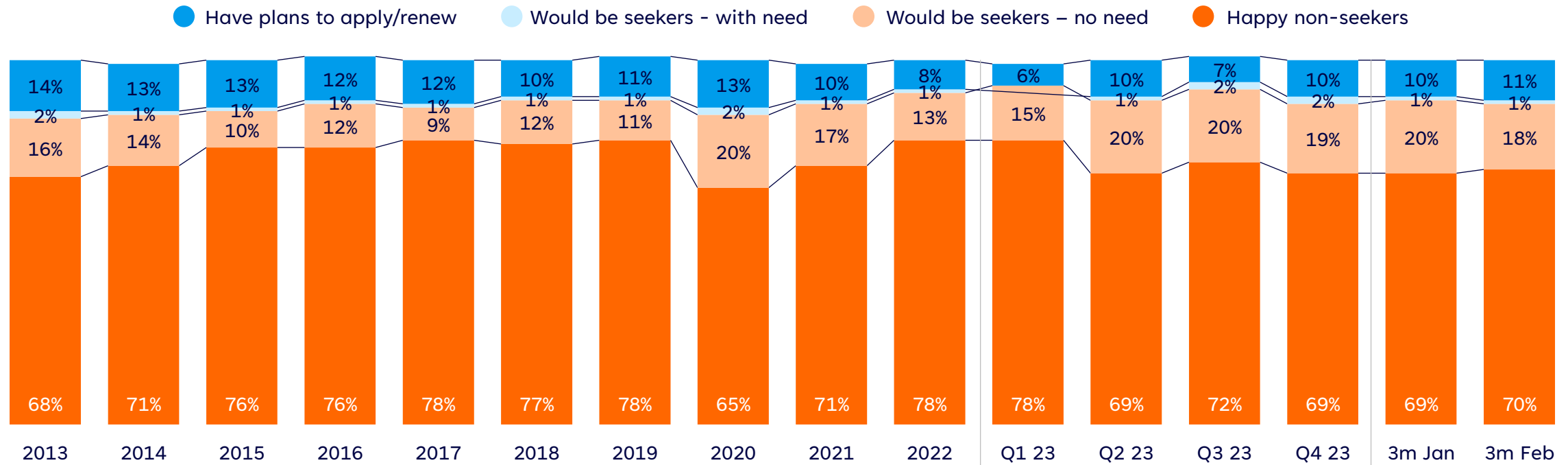


Q39/57 Base : All Type 1a/b applications with a response 1652/3033/3773/1358/845/661

This chart will be updated every quarter end
Last updated Q4 2023

The increase seen in any future appetite for finance to Q2 2023 has been maintained since and remained above levels seen in 2022

Time series: Anticipated borrowing profile for next 3 months after...

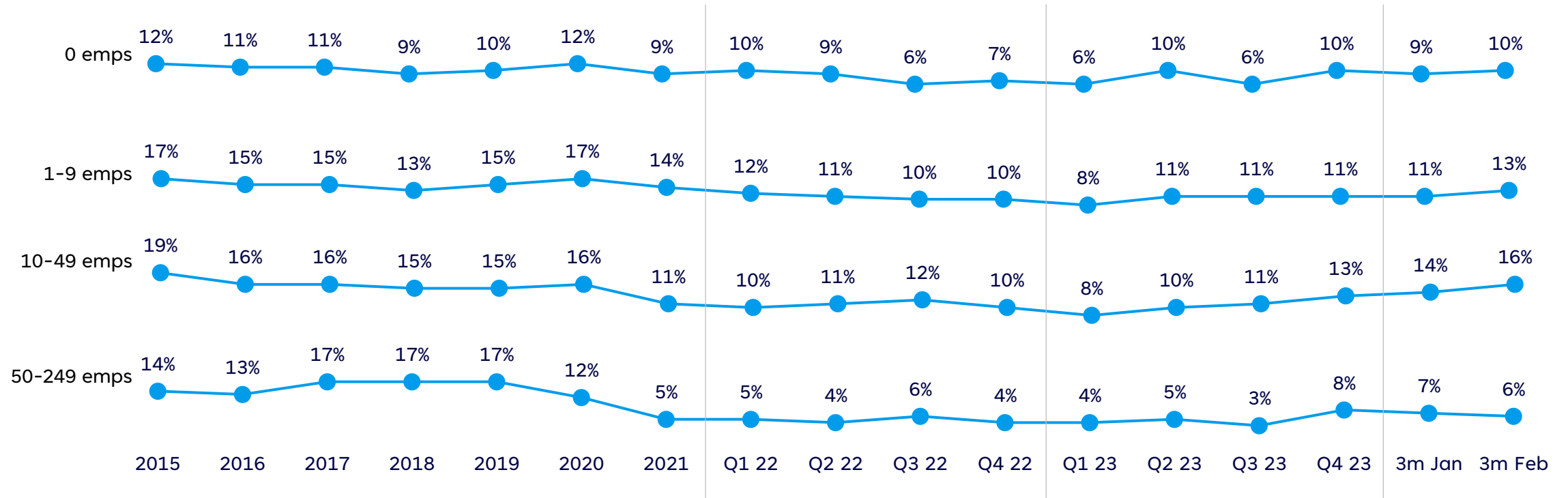


Each quarter, most SMEs have expected to be “future happy non-seekers” of finance. The proportion of FHNS initially increased over time, reaching its peak at 80% in Q3 2022. Since then, it has steadily decreased and is currently at its lowest point since 2021, 70%. The proportion with any future demand for finance reached 35% in 2020 then reduced to 24% by Q4 2021 but is 30% for the current period, with 11% actually planning to apply.

Futfin Base: All respondents 3m to Feb 4351

The proportion planning to apply for finance is close to pre-pandemic levels for all but the largest SMEs

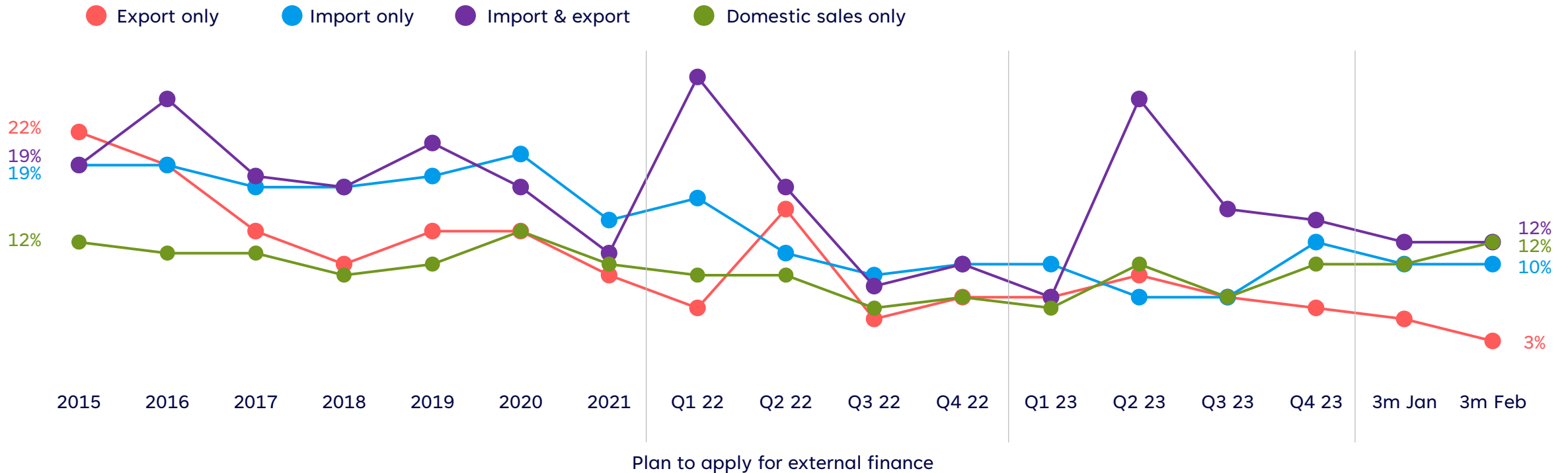
Time series: % planning to apply



Futfin Base : All

Export-only SMEs were less likely to be planning to apply, with little difference currently between other groups

Time series: plan to apply for finance by extent of international trade alongside domestic sales

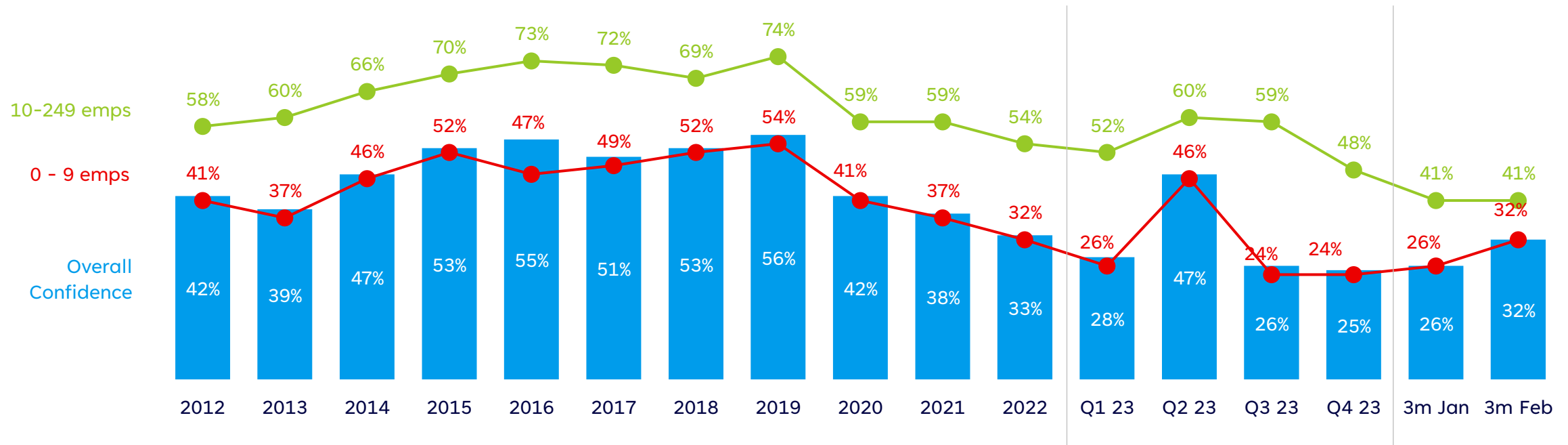


Appetite for finance amongst those with an element of international to their business has varied over time, but until recently has typically been slightly higher than for domestic only SMEs. This is now only the case for fully international SMEs.

Futfin Base: All 3mths to Feb 205/446/386/3314

Amongst the small group planning to apply, 41% were ‘not sure’ what response they would get, but an increasing proportion of smaller applicants were confident, though still well below pre-pandemic levels

Time series: Confidence (very/fairly) bank will agree to facility next 3 months – by size (SMALL BASE)

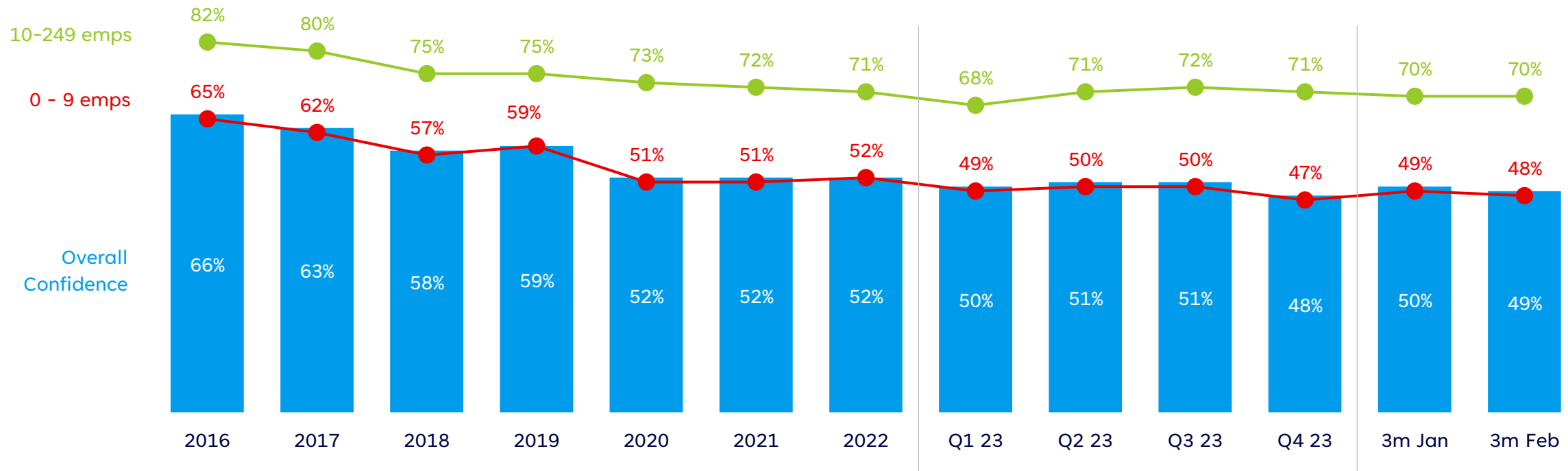


Confidence amongst those planning to apply that they would be successful increased to 56% in 2019 but has been more variable since (and typically below actual success rates). After improvements in the second half of 2022, confidence declined again to Q1 2023 and again in Q3 2023, as more potential applicants said they were “not sure” whether their bank would lend to them (42% of 0-9 emps planning to apply in the current period v 22% of those with 10-249 employees).

Q103 Base: All planning to apply for new/renewed facilities 3mths Feb 484 328/156 CARE RE SMALL BASE

Confidence amongst hypothetical applicants remained stable although below pre-pandemic levels, with a clear ‘gap’ between those with 0-9 employees and those with 10-249.

Time series: Confidence (very/fairly) bank would agree to facility next 3 months – by size



Half (49%) of those with no plans to apply to a bank for finance are confident of a hypothetical success, stable but lower than the 6 in 10 confident in 2016-17. Larger hypothetical applicants remain more confident than smaller ones, and once again more confident than those of a similar size who are planning to apply (70% v 41%). Smaller hypothetical applicants are less confident of success than their larger peers, but once again more confident than those of a similar size planning to apply (48% v 32%), see previous slide for those with plans). 33% overall were unsure what the response would be

Q106 Base: All not planning to apply for new/renewed facilities 3m Feb 3867 2667 / 1200

Quality Standards and Other Details

BVA BDRC is certified to ISO 20252:2019 and 27001:2013, the recognised international quality standards for market research and information security, thus the project has been carried out in accordance with these standards.

- Adherence to the standard is independently audited once per year
- This project has also been carried out in conformity to the MRS Code of Conduct, GDPR, the UK's Data Protection Act, and all other relevant industry codes, legal and ethical requirements.
- Where subcontractors are used by BVA BDRC, they are assessed to ensure any outsourced parts of the research are conducted in adherence with these same standards.

Full methodological details relevant to the project are available upon request.





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